

## SUBCOMMITTEE NO. 2

## Agenda

Alan Lowenthal, Chair  
Darrell Steinberg  
Mark Wyland



Monday, May 21, 2007  
1:00 p.m. or Upon Call of the Chair  
Room 112

### Proposition 84 and Proposition 1E

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### Resources—Environmental Protection—Energy

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## Vote-Only Calendar

### 0540 Secretary for Resources

#### 1. Proposition 84 Statewide Bond Costs

**Background.** California voters in November 2006 passed Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006, which provides \$5.388 billion in general obligation bonds for environmental and resource purposes.

Management of general obligation bonds requires interim financing, funds for the sale of bonds, and other expenditures associated with the management of bonds. Through management of past general obligation bonds, the Resources Agency has determined that 3.5 percent is the proper amount to set aside for bond management purposes. This amount is on top of the 5 percent for project administration.

**Governor's Budget.** The Governor's Budget proposes \$1,141,000 in Proposition 84 bond funds for 8.4 positions. The Governor's Budget proposes these funds and positions to be on-going.

**Staff Comments.** These positions are intended to manage the Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) general obligation bond sales on behalf of the Resources Agency.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 3600 Department of Fish and Game

#### 2. Lower Colorado River Multi-Species Habitat Conservation Plan

**Background.** The Colorado River provides 50 percent of the fresh water for southern California. The Lower Colorado River Multi-Species Habitat Conservation Plan (Plan) intends to protect the lower Colorado River environment while ensuring the certainty of existing river water and power operations, address the needs of threatened and endangered wildlife, and prevent the listing of additional species as threatened or endangered.

The Plan is currently the largest Habitat Conservation Plan in the United State, and came about as a 10 year planning effort between 50 organizations, including state agencies, local governments, water and power agencies, Sovereign Indian Nations, and non-governmental groups.

**Governor's Budget.** The Governor's Budget proposes \$6,755,000 in Proposition 84 bond funds for Lower Colorado River Multi-Species Habitat Conservation Plan implementation. Of the \$7 million available, 3.5 percent has been set aside for bond financing costs.

These funds would allow the department to acquire approximately 3,000 acres.

**Staff Recommendation.** Staff recommends the Subcommittee approve the budget proposal.

### 3. Initial Implementation of Mandated Programs for Critical Flood Infrastructure Improvements

**Background.** The Department of Fish and Game (DFG) reviews California Environmental Quality Act (CEQA) documents when issuing permits for projects that could impact streams or lakes. The large amount of flood control projects that the state intends to undertake with Proposition 1E and Proposition 84 funds might overwhelm DFG's document review capacity. The Governor's finance letter proposes additional positions for DFG to facilitate advance mitigation planning and accelerated permit coordination for emergency levee repairs and early implementation flood control projects.

**Finance Letter.** The April Finance Letter proposes \$625,000 in reimbursement authority for five positions to support the initial implementation of Proposition 1E and Proposition 84 funded programs for critical flood infrastructure improvements. The reimbursement would come from the Department of Water Resources.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter proposal.

## 3640 Wildlife Conservation Board

### 4. Natural Communities Conservation Planning Implementation – Proposition 84

**Background.** The Natural Community Conservation Planning Act of 1991 started the Natural Communities Conservation Planning (NCCP) program. The objective of the NCCP program is to conserve natural communities at the ecosystem scale while accommodating compatible land use. The NCCP is a plan for the conservation of natural communities that takes an ecosystem approach and encourages cooperation between private and government interests. The plan identifies and provides for the regional or area-wide protection and perpetuation of plants, animals, and their habitats, while allowing compatible land use and economic activity.

**Governor's Budget.** The Governor's Budget proposes \$25 million in Proposition 84 bond funds for the Natural Communities Conservation Planning program. The funds would be used to implement and assist in the establishment of NCCPs.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as one-time funds only.

## 5. Program Delivery – Proposition 84

**Background.** The Wildlife Conservation Board is requesting funding to support existing Board staff that will be assigned to and working on the Proposition 84 funded projects.

**Governor's Budget.** The Governor's Budget proposes \$776,000 in Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) bond funds to fund:

- Five existing positions reassigned to Proposition 84 projects
- Two new positions at the Wildlife Conservation Board
- One new position at the Department of Fish and Game

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3790 Department of Parks and Recreation

### 6. Capital Outlay Projects

**Governor's Budget.** The Governor's Budget includes \$14 million in Proposition 84 bond funds for various capital outlay projects. These projects are:

- **Millerton Lake State Recreation Area, Rehabilitate La Playa Day Use Area** – \$3,877,000 for construction to rehabilitate and expand existing day use facilities from Proposition 84 bond funds. The total project cost is \$4,208,000.
- **Pfeiffer Big Sur State Park, Park Entrance and Day Use Redevelopment** – \$5,958,000 for working drawings and construction from Proposition 84 bond funds. This project will construct a bridge over Big Sur River, improve day-use and interpretive facilities, and improve park entrance. The total project cost is \$9,875,000.
- **Silverwood Lake State Recreational Area, Campground and Day Use Improvements** – \$2,204,000 in additional funding for construction from Proposition 84 bond funds. This proposal brings the cost of construction to \$5,091,000. This project will improve day use and campground facilities at the park. The total project cost is \$5,466,000.
- **Statewide: Budget Development** – \$2 million in one-time Proposition 84 bond funds to study future projects to provide a better definition of project scope and cost.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals.

## 3810 Santa Monica Mountains Conservancy

### 7. Capital Outlay: Acquisition and Local Assistance Grants

**Background.** The Santa Monica Mountains Conservancy's strategic plan is to purchase, preserve, protect, restore and enhance land to form an interlinking system of urban, rural and river parks, as well as open space, trails, and wild-life habitats accessible to the general public. In addition, the SMMC forms partnerships with other agencies, including federal, state, county, city, resources conservation districts, water districts, park and open space district.

The cost of land in the SMMC operations area is estimated at \$10,000 per acre. SMMC can purchase land from willing sellers and acquire by eminent domain.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) dedicates \$56 million in bond funds specifically for the Santa Monica Mountains Conservancy. Chapter 5, Section 75050 provides \$36 million and Chapter 7, Section 75060 provides an additional \$20 million.

**Governor's Budget.** The Governor's Budget proposes \$17 million in Proposition 84 bond funds for protection and restoration of rivers, lakes and streams, watersheds and associated lands, and other natural resources.

With these funds, the SMMC intends to pay full market price to acquire privately owned watershed property, and pay the costs associated with planning, permitting, and administrating coastal watersheds.

**Staff Analysis.** The SMMC has been operating since 1980 and has a successful history of preserving over 55,000 acres of land. The SMMC developed the Santa Monica Mountains Conservancy Work Program to prioritize land acquisition, and holds public hearings on every project. The SMMC has, in the past, handled over \$22 million in capital outlay and local assistance grants in a single year.

Staff wants to note that through conversations with the Conservancy it was determined that \$467,000 would be used for administration of the Proposition 84 bond funded programs.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal for grants and projects as one-time funding and the positions as on-going.

## 3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

### 8. Proposition 84 Program Delivery Staff

**Background.** Currently, the conservancy has an executive director, secretary, and 1.5 project analysts. As Proposition 84 funds are appropriated to the conservancy, there will be new responsibilities associated with the prioritizing, planning, and implementation of projects. There will also be expanded duties in project selection, acquisitions, and management, as well as administrative functions associated with systems development, document flow and business functions of such projects.

**Governor's Budget.** The Governor's Budget proposes \$523,000 in Proposition 84 bond funds for three new permanent positions and two limited-term positions. The total cost of these positions over five years will be \$2,497,000.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3830 San Joaquin River Conservancy

### 9. San Joaquin River Conservancy Acquisitions

**Background.** The legislative mandate for the San Joaquin Conservancy is to acquire and protect approximately 5,900 acres along the San Joaquin River corridor in order to preserve and enhance the area's cultural and natural resources, and provide educational and recreational opportunities to the public. To date, the conservancy has acquired approximately 4,146 acres. The Wildlife Conservation Board (WCB) performs all of the conservancy's acquisitions for them, and the funds for these appropriations are reflected in the WCB budget.

**Governor's Budget.** The Governor's Budget proposes \$8.5 million in Proposition 84 bond funds to the San Joaquin Conservancy which will be used by the Wildlife Conservation Board to acquire lands in the conservancy's area.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as one-time funding.

## 10. San Joaquin River Conservancy Public Access, Recreation, and Environmental Restoration

**Background.** The San Joaquin River Conservancy has programs in providing public access, recreation, and environmental restoration. The San Joaquin River Parkway Master Plan includes multiple potential projects in public access and recreation. The Jensen River Ranch project is an example of environmental restoration, where wetlands are being created along with plantings of oaks and native shrubs. The conservancy has received a large non-state grant for this project.

**Governor's Budget.** The Governor's Budget proposes \$1.5 million in Proposition 84 bond funds and \$2 million in reimbursement authority for public access, recreation, and environmental restoration projects. The funds are for the San Joaquin Conservancy, but are expended through the Wildlife Conservation Board's budget.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as one-time funding.

## 3835 Baldwin Hills Conservancy

### 11. Acquisition and Improvement Program

**Background.** Baldwin Hills Conservancy land acquisitions are conducted in accordance with the 2002 Baldwin Hills Park Master Plan. The BHC work is accomplished through both direct Conservancy work and by providing grants to local agencies. The BHC is currently focusing on saving the Ballona Creek Watershed, of which approximately one-third is coastal sage scrub. The remaining two-thirds of the watershed is degraded by oil production and will require extensive restoration efforts. There are 528 unprotected acres of land in this area.

The land cost in the BHC area range from \$45,000 to \$200,000 per acre.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) dedicates \$10 million for the Baldwin Hills Conservancy.

**Governor's Budget.** The Governor's Budget proposes \$4,050,000 for the Baldwin Hills Conservancy from Proposition 84 bond funds and reimbursements. The funds requested would be utilized towards protecting and enhancing the two-square mile area Kenneth Hahn State Recreation Area of the Ballona Creek Watershed.

- \$3,050,000 from Proposition 84 general obligation bond funds.
- \$1,000,000 from reimbursements.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as one-time funding.



## 3850 Coachella Valley Mountains Conservancy

### 12. Land Acquisition and Improvements

**Background.** The Coachella Valley Mountains Conservancy (CVMC) will complete its Natural Community Conservation Plan (NCCP) in August 2007. The NCCP will identify species habitat within the Coachella Valley Mountains. CVMC has a strategic plan that calls for acquisition and preservation of natural habitat, but the NCCP will allow the conservancy to proceed with land acquisitions that protect the most species.

The cost of land varies dramatically within the Coachella Valley Mountains. The CVMC anticipates acquiring some parcels for as little as \$100 per acre, while other parcels will cost as much as \$100,000 per acre. The CVMC only acquires land from willing sellers.

Proposition 84 provides \$36 million to the Coachella Valley Mountains Conservancy.

**Governor's Budget.** The Governor's Budget proposes \$11,514,000 in Proposition 84 bond funds for land acquisition.

**Staff Analysis.** The CVMC has previously managed a grant program of as much as \$20 million in a single year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as one-time funding.

## 3860 Department of Water Resources

### 13. Colorado River Management Account – All American and Coachella Canal Lining Projects

**Background.** California's share of Colorado River water is limited to 4.4 million acre feet during a normal hydrologic year. This is enough water for about 6.4 million people for a year. However, in the past, California has used up to 800,000 acre feet more than what is apportioned to the State.

The water demands of Arizona and Nevada, which also draw from the Colorado River, have been growing as well. The United States Department of Interior directed California to reduce its use of Colorado River water to 4.4 million acre feet. The Quantification Settlement Agreement (QSA) allows California to use surplus water above 4.4 million acre feet for 15 years. The surplus water would come from methods such as water conservation. The California Plan includes conservation of Colorado River water through specified canal lining projects and

improved water management through implementation of groundwater storage and dry-year supply projects, in addition to other measures.

**Governor's Budget.** The Governor's Budget proposes \$82 million for the lining of the All-American and Coachella Canals. The funding would come from:

- \$47,282,000 in General Fund
- \$34,740,000 in Proposition 84 general obligation bond funds

The budget proposes a three year encumbrance period for the Proposition 84 funds.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as one-time funding.

## 14. Proposition 84 – Fiscal Coordination and Oversight

**Background.** In November 2006, California voters approved Proposition 84, which provides \$1.5 billion for water-related projects. Proposition 84 does not identify a lead agency to oversee and coordinate bond activities. The Department of Water Resources is responsible for managing its own cash needs, loans, allocation balances, and maintaining records.

**Governor's Budget.** The Governor's Budget proposes \$255,000 from Proposition 84 bond funds for two new positions to provide fiscal administration, coordination, and oversight for Proposition 84 projects. These funds will come from the five percent administrative expenses for the bond.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 0540 Secretary for Resources

**Governor's Budget.** The Governor's Budget proposes \$57 million to support the Secretary for Resources in 2007-08. This is nearly 63 percent less than estimated expenditures in the current year due mainly to a reduction in the Proposition 50 local assistance bond funds available for appropriation.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Administration	\$ 165,272	\$ 73,253	-\$92,019	-55.7
<b>Total</b>	\$ 165,272	\$ 73,253	-\$92,019	-55.7
<b>Funding Source</b>				
General Fund	\$ 5,909	\$ 6,005	\$ 96	1.6
Special Funds	3,478	3,316	-162	-4.7
Bond Funds	148,323	47,714	-100,609	-67.8
<i>Budget Act Total</i>	<i>157,710</i>	<i>57,035</i>	<i>-100,675</i>	<i>-63.8</i>
Federal Trust Fund	5,004	199	-4,805	-96.0
Reimbursements	2,558	16,019	13,461	526.2
<b>Total</b>	\$ 165,272	\$ 73,253	-\$92,019	-55.7

### 1. San Joaquin River Restoration

**Background.** In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to "restore and maintain fish populations" in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FWUA agreed to actions that will increase flows in the river. The Resources Agency estimates that costs for restoring the San Joaquin River will range from \$350 to \$800 million over 20 years. While the state is not a party to the lawsuit, the Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a

memorandum of understanding with the settling parties regarding the state's role in the restoration.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) provides \$100 million to the Resources Agency for San Joaquin River restoration.

**Governor's Budget.** The Governor's Budget proposes \$13,869,000 in Proposition 84 bond funds for San Joaquin River restoration.

**LAO Analysis.** The LAO points out that the Legislature has never been given an opportunity to evaluate the state's appropriate role in the restoration. The restoration effort is likely to require significant state contributions over the next several decades. The LAO thinks that if the administration wishes to move forward with restoration activities, it should sponsor a policy bill to ratify the memorandum of understanding. This would allow the Legislature to fully evaluate the commitment the administration is proposing, as well as allowing the Legislature to determine the overall parameters of state involvement in the restoration.

In addition, the LAO notes that the state is not directly responsible for the condition of the San Joaquin River that led to the lawsuit. Under the "polluter pays" principle, the responsible parties – in this case the federal government and the water users – should bear the primary responsibility for the restoration of the river. Currently, the funding contribution of the responsible parties is subject to significant uncertainty. The settlement agreement, for example, provides that any party to the lawsuit can void the settlement if federal legislation to implement the settlement is not enacted by December 31, 2006. Such legislation has not yet been passed. The LAO advises against the state taking actions that potentially diminish the legal obligations of the responsible parties to restore the damage they have caused.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the \$13,869,000 as one-time funding with budget bill language specifying that expenditures are for studies only, until the federal government contributes funds for the project. Staff recommends the following budget bill language:

The funds in this item may only be used consistent with the terms of the settlement agreement in NRDC v. Rodgers for studies, baseline monitoring and other research; planning and coordination functions of the technical advisory committee; and the establishment and operation of the restoration administrator.

## 3125 California Tahoe Conservancy

**Background.** The California Tahoe Conservancy (CTC) acquires and manages land to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat areas. It also awards grants to other agencies and nonprofit organizations for the purposes of its programs.

**Governor's Budget.** The Governor's Budget proposes \$45.5 million for the Tahoe Conservancy. This is an eight percent increase over the current year due to an increase in bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Tahoe Conservancy	\$25,083	\$29,708	\$4,625	18.4
Capital Outlay	18,643	16,519	-2,124	-11.4
<b>Total</b>	<b>\$43,726</b>	<b>\$46,227</b>	<b>\$2,501</b>	<b>5.7</b>
<b>Funding Source</b>				
General Fund	\$189	\$192	\$3	1.6
Special Funds	6,069	4,897	-1,172	-19.3
Bond Funds	35,796	40,423	4,627	12.9
<i>Budget Act Total</i>	<i>42,054</i>	<i>45,512</i>	<i>3,458</i>	<i>8.2</i>
Reimbursements	1,459	500	-959	-65.7
Tahoe Conservancy Fund	213	215	2	0.9
<b>Total</b>	<b>\$43,726</b>	<b>\$46,227</b>	<b>\$2,501</b>	<b>5.7</b>

### 1. Implementation of the Environmental Improvement Program for the Lake Tahoe Basin

**Background.** The Environmental Improvement Program (EIP) represents a collaborative capital improvement approach toward meeting environmental and public access goals at Lake Tahoe. The EIP reflects a commitment to capital outlay, local assistance, and programmatic approaches to counter the rapid decline of the resources and public recreation values of the Lake Tahoe

Basin. Since 1998, the state has appropriated approximately \$181 million to the Tahoe Conservancy for the EIP implementation.

**Governor's Budget.** The Governor's Budget proposes \$39,631,000 for the California Tahoe Conservancy from various bond funds. Of this amount, \$16.1 million would be for capital outlay and \$23.5 million for local assistance. These bond funds are as follows:

- \$996,000 from Proposition 12
- \$1,122,000 from Proposition 40
- \$9 million from Proposition 50
- \$27,373,000 from Proposition 84

In addition to the funds requested, the administration is proposing to make the Habitat Conservation Fund off-budget.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the proposal for bond funds as one-time funding and reject the proposal to make the Habitat Conservation fund off-budget.

## 2. Lake Tahoe Basin Interagency Fuels Reduction, Forest Restoration, and Biomass Utilization Budget Change Proposal

**Background.** Biomass is a renewable energy source. It refers to mainly plant matter – such as wood, crops, manure, and some garbage – that can be burned to produce energy. When burned, the chemical energy in biomass is released as heat. Biomass can also be converted to other usable forms of energy like methane gas or transportation fuels like ethanol and biodiesel. Biomass does not include coal or petroleum.

On April 25, 2006, the Governor issued an Executive Order on Biomass S-06-06. This Executive Order directs California to meet a 20 percent target within the established state goals for renewable generation for 2010 and 2020 with biomass.

The Lake Tahoe basin's forests are overstocked with small trees, brush, and other materials that pose a fire hazard. In response to this fire threat, federal, state, and local agencies have developed a basin-wide Draft Fuels Management Plan that recommends treatment of 22,720 acres of lands over the next ten years. As part of the Draft Fuels Management Plan, the Tahoe ReGreen program was established to conduct systematic property inspection and fuels treatment.

The cost of disposing biomass generated by fuel reduction efforts is very expensive, as is the cost of treating the land in the first place. The United States Forest Service estimates that manual treatment by a crew will run up to \$3,000 per acre. One of the most common ways of treating land is through controlled burning. However, in the Tahoe Basin, there are not enough allowable burn days to deal with the large amount of fuel.

**Governor's Proposal.** The California Tahoe Conservancy and the California Department of Forestry and Fire Protection have presented a joint proposal to harvest dead wood from forests and burn that wood for biomass energy. This would be a pilot program designed to demonstrate the environmental and economic benefits of managing forest biomass projects throughout the Lake Tahoe Basin.

This pilot program would provide:

- \$716,000 in one-time funds to the Tahoe Conservancy for ReGreen activities and equipment to move crews and harvested biomass.
- \$296,000 in on-going funds for two limited-term Forester I positions and operating costs.
- Cogeneration Facility – \$3.5 million in Proposition 84 bond funds for a 1-3 MWe bioenergy production facility. The site for the facility has not yet been determined. Currently, there is not enough fuel (15,000 – 24,000 bone dry tons) from the proposed Tahoe fuel reduction projects to generate 3 MWe.
- Thermal Use Facility – \$400,000 in Proposition 84 bond funds for the South Lake Tahoe High School boiler, biomass storage shed, and other associated equipment. The project would burn up to 2,183 green tons of wood a year to heat the school facility. The school's energy bill is expected to go down by about \$60,000 annually as a result of this project.
- Placer County Biomass Utilization Program – \$200,000 in Proposition 84 bond funds for the start-up costs and first year of operation for collecting biomass and transporting it to a biomass energy production facility in Loyalton, California.

**Governor's Budget.** The Governor's Budget proposes \$5,112,000 for support and two positions to begin biomass utilization of harvested forest fuels in the Lake Tahoe Basin.

**LAO Recommendation.** The LAO points out that the Department of Forestry and Fire Protection (CDF) has extensive experience in forest management. However, CDF does not have expertise with respect to the other aspect of the budget request—providing support for significant energy generation projects. Given the complexity of the design and development of any power plant, it takes significant expertise to evaluate proposals to receive public funding for such projects.

The LAO points out that the California Energy Resources Conservation and Development Commission (Energy Commission) has considerable expertise providing financial support to renewable energy projects and has several ongoing programs that do so. For example, the Public Interest Energy Research (PIER) Program provides state funds for research, development, and demonstration projects that provide environmental and economic benefits through increased energy efficiency, increased reliability, and reduced costs for energy in the state.

The LAO believes that the Energy Commission should be the lead agency for supporting renewable energy projects, including biomass utilization projects, based on its longstanding technical expertise and established programs in this subject area. The LAO recommends that the Legislature delete the proposed funding of \$4.1 million from Proposition 84 for these biomass utilization projects. The LAO believes that given the significant, existing resources at the Energy Commission potentially available to support green energy projects, the commission

should evaluate whether the proposed projects should be supported from existing funds, in the context of other funding priorities.

The LAO also recommends denial of the two limited-term forester positions in the budget request. CDF proposes to use \$296,000 in Proposition 40 bond funds to support two limited-term foresters. These new positions would support the department's fuel reduction proposal by enforcing the Forest Practice Act (as it relates to fuel reduction activities) and implementing other forestry-related activities. The LAO believes that these activities are regulatory in nature and should be funded out of the department's base budget, rather than using bond funds.

**Staff Recommendation.** Staff recommends that the Subcommittee:

1. Approve \$716,000 for the Tahoe Conservancy ReGreen activities.
2. Reject \$296,000 for Forester I positions.
3. Shift \$4,100,000 in Proposition 84 bond funds to the California Energy Commission to be provided as grants for biomass utilization projects.



## 3340 California Conservation Corps

**Background.** The California Conservation Corps (CCC) assists federal, state and local agencies and nonprofit entities in conserving and improving California's natural resources while providing employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects related to environmental conservation, fire protection, and emergency services. Some activities traditionally associated with the Corps are tree planting, stream clearance, and trail building. The Corps also develops and provides funding for 11 community conservation corps.

**Governor's Budget.** The Governor's Budget proposes \$65.4 million to support the California Conservation Corps in 2007-08. This is a 4 percent increase from estimated expenditure levels in the current year. General Fund support for the Corps is proposed to increase by about 13 percent in the budget year due to a proposal to increase the department's General Fund support and reduce the department's reliance on reimbursements.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Training and Work Program	\$ 62,231	\$ 61,678	-\$553	0.9
Capital Outlay	892	3,691	2,799	313.8
Administration	7,525	7,783	258	3.4
<i>Less distributed administration</i>	-\$7,525	-\$7,783	-258	3.4
<b>Total</b>	<b>\$ 63,123</b>	<b>\$ 65,369</b>	<b>\$ 2,246</b>	<b>3.6</b>
<b>Funding Source</b>				
General Fund	\$ 35,805	\$ 40,606	\$ 4,801	13.4
Collins-Dugan California Conservation Corps Reimbursement Account	23,857	23,852	-5	0
Other Special Funds	628	648	20	3.2
Bond Funds	2,833	263	-2,570	-90.7
<b>Total</b>	<b>\$ 63,123</b>	<b>\$ 65,369</b>	<b>\$ 2,246</b>	<b>3.6</b>

## 1. Proposition 84 Funds

**Background.** The California Conservation Corps (CCC) works to improve public safety, improve and restore wetlands, reduce fuel load on public lands, and restore streams and rivers. The CCC provides grants to local conservation corps to work on the same kinds of projects at the local level.

Proposition 84, Chapter 5, Section 75050 (l) provides \$45 million for CCC and mandates that \$32,500,000 be granted to the local conservation corps for various purposes.

**Governor's Budget.** The Governor's Budget proposes \$45 million in Proposition 84 bond funds over six years for grants, projects, and administration. Of the total, \$263,000 would be appropriated for 2007-08. The total funds would be divided as follows:

- \$30,265,000 for local conservation corps
- \$11,640,000 for California Conservation Corps programs
- \$1.52 million for implementing, administering, and oversight of the bond funds

The 3.5 percent bond financing cost is subtracted from the \$45 million total.

**Staff Analysis.** The Department of Finance has informed staff that by approving the \$263,000 for 2007-08, the Legislature is considered having made a policy decision to approve the entire \$45 million Proposition 84 expenditure program. The Legislature may wish to consider inserting budget bill language to limit the funds to the staff appropriation of \$1.52 million only, so that the grant guidelines can be developed without interruption in staff but that the Legislature can review the actual grant appropriations each year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$263,000 for positions and \$12 million for local conservation corps. Staff recommends that the positions be on-going, but that the local assistance funds are one-time.

## 3480 Department of Conservation

**Background.** The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

**Governor's Budget.** The Governor's Budget proposes \$1.2 billion to support DOC in the budget year. This is an increase of \$216 million over the estimated expenditures in the current year. The majority of this increase is from the Beverage Container Recycling and Litter Reduction program due to recent legislation that increased the California Redemption Value (CRV) payments.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Geologic Hazards and Mineral Resources Conservation	\$ 23,769	\$ 24,227	\$ 458	1.9
Oil, Gas, and Geothermal Resources	18,866	19,793	927	4.9
Land Resource Protection	25,738	36,250	10,512	40.8
Beverage Container Recycling and Litter Reduction	972,528	1,177,673	205,145	21.1
Office of Mine Reclamation	8,148	6,860	-1,288	-15.8
Administration	12,061	13,296	1,235	10.2
<i>less distributed administration</i>	<i>-12,061</i>	<i>-13,296</i>	<i>-1,235</i>	<i>10.2</i>
<b>Total</b>	<b>\$ 1,049,049</b>	<b>\$ 1,264,803</b>	<b>\$ 215,754</b>	<b>20.6</b>
<b>Funding Source</b>				
General Fund	\$ 4,587	\$ 4,668	\$ 81	1.8
Special Funds	1,010,328	1,215,647	205,319	20.3
Bond Funds	22,278	32,631	10,353	46.5
<i>Budget Act Total</i>	<i>\$ 1,037,193</i>	<i>\$ 1,252,946</i>	<i>\$ 215,753</i>	<i>20.8</i>
Federal Trust Fund	1,813	1,809	-\$4	-0.3
Bosco-Keene Renewable Resources Investment Fund	994	1,002	8	0.8
Reimbursements	9,050	9,046	-4.00	0
<b>Total</b>	<b>\$ 1,049,050</b>	<b>\$ 1,264,803</b>	<b>\$215,753</b>	<b>20.6</b>

## 1. Agricultural Land Conservation – Prop 84 Planning Grants and Planning Incentives

**Background.** Agricultural conservation easements are a payment to a landowner for a change in the land title regulating the land-use type. The easement cannot be lifted even if the property is sold, and thus the land is protected for agricultural use in perpetuity. Placing an agricultural easement on a property lowers the property taxes the land owner must pay. The DOC provides grant funding for non-profits and local governments to purchase agricultural conservation

easements from willing sellers. To date, DOC has administered over \$70 million in previously appropriated bond funds for grants to purchase agricultural conservation easements.

Proposition 84, Section 75065(c) identifies \$90 million for planning grants and planning incentives to encourage the development of regional and local land use plans designed to promote a number of conservation objectives, including the protection of natural resources and agricultural lands. The bond does not identify which department will administer these grants and incentives.

**Governor's Budget.** The Governor's Budget proposes \$10 million in Proposition 84 bond funds (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006). The funds would be used for local assistance grants and one limited-term position for program delivery.

The DOC would utilize the grant funds for:

- The development of agricultural conservation easements that also include wildlife habitat benefits and management practices.
- Planning grants for local governments to develop and implement agricultural land conversion mitigation programs to address the ongoing loss of farmland within their jurisdictions.

**Staff Analysis.** The funds are requested from a portion of the bond that requires implementing legislation. Staff thinks that the implementing legislation should go through the policy process.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the proposal.

## 2. Sustainable Communities – California Green Cities

**Background.** The Department of Conservation is proposing to establish a Green City Partnership Initiative. This initiative would provide grants to cities and regions for the development of comprehensive plans that take into account multiple land use, environmental quality, and economic development issues leading to the establishment of sustainable “Green” communities.

The DOC would utilize these funds to provide greater access to integrated spatial planning and natural resource maps and data on-line, allowing cities and counties that perform infrastructure and land use planning to reduce planning costs and more easily comply with state and federal environmental laws and regulations.

In addition to data and mapping, the DOC would provide local assistance grants for programmatic plans. These local programmatic plans would provide added local planning direction, including provisions calling for increased housing densities, limitations on housing in agricultural and open space lands, identification of habitat and open space lands for protection, identification of a 20-year land supply to meet expected growth pressures over that period,

limitations on the number of large residential lots, and restrictions calling for new urban development to be adjacent to existing urban development.

Proposition 84, Section 75065(c) identifies \$90 million for planning grants and planning incentives to encourage the development of regional and local land use plans designed to promote water conservation, reduce automobile use and fuel consumption, encourage greater infill and compact development, protect natural resources and agricultural lands, and revitalize urban and community centers. The bond does not identify which department will administer these grants and incentives.

The Department of Conservation envisions the Green City Partnership Initiative as an eight-year program with \$56 million in mapping and grants assistance to local communities.

**Governor's Budget.** The Governor's Budget proposes \$10.4 million from Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006) bond funds for mapping, local assistance grants, and three limited-term positions for program delivery.

The funds would be divided as follows:

- \$4 million for mapping of integrated natural resources data for state and regional land use decision-making.
- \$6 million in local assistance grants for programmatic plans for additional guidance to promote sustainable, pro-environment policies and goals in local planning.
- \$400,000 for three limited-term positions for program delivery.

**Staff Analysis.** This type of land use planning effort would be a new mission for the Department of Conservation. Staff believes the spending of the Proposition 84 Section 75065(c) funds are best determined through legislation.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 3540 Department of Forestry and Fire Protection

**Background.** The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

**Governor's Budget.** The Governor's Budget provides \$686 million to support CDF in 2007-08. This is approximately \$38 million, or 6 percent, more than the level of expenditures estimated for the current year. The increase is due to increased capital outlay expenditures as well as employee compensation cost increases associated with fire protection. General Fund support for the department is also proposed to increase by approximately 5 percent as a result of increased capital outlay spending.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Office of the State Fire Marshal	\$ 14,383	\$ 15,766	\$ 1,383	9.6
Fire Protection	845,660	851,201	5,541	0.6
Resource Management	56,822	69,017	12,195	21.5
Capital Outlay	8,793	30,954	22,161	252
Administration	66,759	67,006	247	0.4
<i>less distributed administration</i>	<i>-66,129</i>	<i>-66,382</i>	<i>-253</i>	<i>0.4</i>
<b>Total</b>	<b>\$ 926,288</b>	<b>\$ 967,562</b>	<b>\$ 41,274</b>	<b>4.5</b>
<b>Funding Source</b>				
General Fund	\$ 625,768	\$ 654,938	\$ 29,170	4.7
Special Funds	8,337	8,785	448	5.4
Bond Funds	12,947	22,005	9,058	69.9
<i>Budget Act Total</i>	<i>\$ 647,052</i>	<i>\$ 685,728</i>	<i>\$ 38,676</i>	<i>5.9</i>
Federal Trust Fund	29,311	26,258	-3,053	-10.4
Forest Resources Improvement Fund	699	7,802	7,103	1016.1
Timber Tax Fund	31	33	2	6.4
Reimbursements	249,199	247,741	-1,458	-0.6
<b>Totals</b>	<b>\$ 926,292</b>	<b>\$ 967,562</b>	<b>\$ 41,270</b>	<b>4.5</b>

## 1. Urban Greening

**Background.** Proposition 84, Chapter 9, Section 75065 (b), provides \$90 million for urban greening. Of that amount, a minimum of \$20 million is reserved for the Department of Forestry and Fire Protection for urban greening programs.

The goals of the Department of Forestry and Fire Protection urban greening program are:

- Increase the amount of urban forests
- Facilitate the creation of jobs in tree maintenance and related urban forest activities
- Reduce energy consumption through maximized tree and vegetative cover
- Encourage the coordination of state and local activities in urban forestry
- Prevent and limit the spread of tree diseases and pests

**Governor's Budget.** The Governor's Budget proposes \$45.9 million over 10 years to fund urban greening projects and local assistance grants. The first year of funding would be \$4,490,000 and eight positions.

**Staff Analysis.** Staff has concerns that the Legislature would be approving a 10-year program without the program guidelines or the grant guidelines available for evaluation.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$4,490,000 for grants, projects, contracts, and eight positions. Staff recommends that the positions be made permanent while the grant, project, and contract funds are one-time.



## 3600 Department of Fish and Game

**Background.** The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

**Governor's Budget.** The Governor's Budget proposes \$315 million to support DFG in the budget year. This is about 19 percent less than estimated expenditures in the current year due to a reduction in General Fund and bond funds available for appropriation. General Fund support for the department is proposed to decrease by 40 percent.

<b>Summary of Expenditures</b> <i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Biodiversity Conservation Program	\$ 302,776	\$ 240,392	-\$62,384	-20.6
Hunting, Fishing, and Public Use	55,413	57,979	2,566	4.6
Management of Lands and Facilities	65,832	56,259	-9,573	-14.5
Conservation Education and Enforcement	52,866	55,336	2,470	4.7
Spill Prevention and Response	32,799	34,137	1,338	4.1
Capital Outlay	1,314	2,922	1,608	122.4
Administration	46,521	40,677	-5,844	-12.6
<i>less distributed administration</i>	<i>-46,512</i>	<i>-40,677</i>	<i>5,835</i>	<i>-12.6</i>
<b>Totals</b>	<b>\$ 511,009</b>	<b>\$ 447,025</b>	<b>-\$63,984</b>	<b>-12.6</b>
<b>Funding Source</b>				
General Fund	\$ 133,078	\$ 78,565	-\$54,513	-40.9
Special Funds	123,416	152,659	29,243	23.7
Bond Funds	133,628	83,996	-49,632	-37.1
<i>Budget Act Total</i>	<i>\$ 390,122</i>	<i>\$315,220</i>	<i>\$-74,902</i>	<i>-19.2</i>
Federal Trust Fund	57,270	57,701	431	0.7
Reimbursements	65,350	69,810	4,460	6.8
Salton Sea Restoration Fund	2,644	2,718	74	2.8
Harbors and Watercraft Revolving Fund	5	5	-	0
Special Deposit Fund	610	1,435	825	135.2
Coastal Wetlands Account	-5,000	136	5,136	-102.7
<b>Total</b>	<b>\$ 511,001</b>	<b>\$ 447,025</b>	<b>-\$63,976</b>	<b>-12.5</b>

## 1. Anadromous Fish Management

**Background.** When fish species are listed as endangered or threatened, there are lost fishing opportunities and economic impacts to local communities, construction, and transportation. Nearly all the runs of salmon and steelhead on the coast are listed under either the federal or state

Endangered Species Act. The Department of Fish and Game is proposing four programs to increase the numbers of Anadromous fish:

- Coastal Salmonid Monitoring – to gather information on the status and trend of salmon and steelhead populations.
- Coho Recovery Implementation – to manage a grant program for Coho recovery according to an already existing plan.
- Coastal Steelhead and Chinook Recovery – to implement recovery programs according to an already developed plan.
- Steelhead Report Card – to manage steelhead restoration projects and steelhead restoration grants.

**Governor's Budget.** The Governor's Budget proposes \$45,598,000 from Proposition 84 bond funds and special funds for nine permanent positions and six limited-term positions to support the Coastal Salmonid Monitoring Plan Implementation.

**Staff Analysis.** SB 271 (Thompson, 1997) established the Fishery Restoration Grant Program and parameters in Fish and Game Code 6217.1. For the past 10 years, virtually all state salmon and steelhead monies for DFG projects and grants have been under the purview of Section 6217.1. However, Proposition 84 did not require that salmon and steelhead recovery funds be spent according to Section 6217.1. The Subcommittee may wish to consider adopting trailer bill language to require the Proposition 84 salmon and steelhead recovery funds be administered according to Section 6217.1.

**Staff Proposed Trailer Bill Language:**

SEC. 2. Section 6217.3 is added to the Public Resources code, to read:

6217.3. (a) Except for the two million five hundred twenty thousand dollars (\$2,520,000) allocated by the department for the Coastal Salmonid Monitoring Plan, the process governing the expenditure of funds as described in Section 6217.1 shall be applied to the expenditure of all remaining funds appropriated to the Department of Fish and Game for coastal salmon and steelhead fishery restoration projects from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Chapter 1 (commencing with Section 75001) of Division 43).

(b) Of the one hundred eighty million dollars (\$180,000,000) made available to the department pursuant to subdivision (a) of Section 75050, up to forty-five million dollars (\$45,000,000) shall be made available for coastal salmon and steelhead fishery restoration projects and the Coastal Salmonid Monitoring Plan.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the requested positions, \$598,000 from the Fish and Game Preservation Fund Steelhead Trout Dedicated Account, and \$10,856,000 from Proposition 84. Staff also recommends that the Subcommittee adopt the staff proposed trailer bill language.

## 2. San Joaquin River Restoration Implementation

**Background.** In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to “restore and maintain fish populations” in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FWUA agreed to actions that will increase flows in the river. The Resources Agency estimates that costs for restoring the San Joaquin River will range from \$350 to \$800 million over 20 years. While the state is not a party to the lawsuit, the Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding with the settling parties regarding the state’s role in the restoration.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) provides \$100 million to the Resources Agency for San Joaquin River restoration.

**Governor’s Budget.** The Governor’s Budget proposes \$40 million in reimbursements over five years for support of the San Joaquin River Restoration from Friant Dam to the Merced River. The schedule of expenditures is as follows:

- \$1,185,000 and six permanent positions in 2007-08
- \$6,323,000 in 2008-09
- \$11,456,000 and two permanent positions in 2009-10
- \$16,706,000 in 2010-11
- \$4,330,000 in 2011-12

**Staff Recommendation.** Staff recommends that the Subcommittee approve the \$1,185,000 for 2007-08 and the six permanent positions. Staff also recommends that the Subcommittee adopt the following budget bill language:

The funds in this item may only be used consistent with the terms of the settlement agreement in NRDC v. Rodgers for studies, baseline monitoring and other research; planning and coordination functions of the technical advisory committee; and the establishment and operation of the restoration administrator.

## 3640 Wildlife Conservation Board

**Background.** The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

**Governor's Budget.** The Governor's Budget proposes \$155 million to support the WCB in 2007-08. This is over a 72 percent reduction from estimated expenditures in the current year due to the current year reflecting many acquisition projects for which the funds were appropriated in prior years but expended in 2006-07. General Fund support for the board increased by slightly less than 9 percent in the budget year.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
State Operations	\$ 3,933	\$ 4,281	\$ 348	8.8
Capital Outlay	563,457	151,533	-411,924	-73.1
<b>Total</b>	<b>\$ 567,390</b>	<b>\$ 155,814</b>	<b>-\$411,576</b>	<b>-72.5</b>
<b>Funding Source</b>				
General Fund	\$ 5,201	\$ 16,149	\$ 10,948	210.5
Special Funds	-7,266	3,058	10,324	-142.1
Bond Funds	557,128	135,607	-421,521	-75.6
<i>Total Budget Act</i>	<i>\$555,063</i>	<i>\$154,814</i>	<i>\$-400,249</i>	<i>-72.1</i>
Reimbursements	8,226	1,000	-7,226	-87.8
Oak Woodlands Conservation Fund	4,160	0	4,160	100.0
<b>Total</b>	<b>\$ 567,449</b>	<b>\$ 155,814</b>	<b>-\$403,315</b>	<b>-72.1</b>

## 1. Funding for Rangeland, Grazing Land and Grassland Protection Program

**Background.** The Rangeland, Grazing Land and Grassland Protection Act of 2002 (Chapter 984, Statutes of 2002) designated the Wildlife Conservation Board as the lead agency to protect rangeland, grazing land, and grasslands through the purchase of conservation easements. WCB has identified approximately 600,000 acres of important rangeland and grassland for protection. To date, the WCB has acquired conservation easements on nearly 36,000 acres of rangeland, grazing land, and grasslands.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) Chapter 6, Section 75055 (d) (1), provides \$15 million for the implementation of the Rangeland, Grazing Land and Grassland Protection Act of 2002.

**Governor's Budget.** The Governor's Budget proposes \$14,293,000 in Proposition 84 Bond funds for the Rangeland, Grazing Land, and Grassland Protection Program.

**Staff Analysis.** The Rangeland, Grazing Land and Grassland Protection Program has been funded through Proposition 40, which provided \$19.2 million for the program. Of that amount, approximately \$3.3 million is left. The WCB has been able to spend approximately \$4 million a year. Considering the balance of Proposition 40 funds and the pace of fund encumbrance in past years, the Legislature may wish to consider reducing the requested appropriation in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$5 million in one-time funding for the Rangeland, Grazing Land and Grassland Protection Program.

## 2. Funding for Oak Woodland Preservation

**Background.** The Oak Woodland Preservation program is intended to support and encourage long-term private stewardship and conservation of oak woodlands; provide incentives to private farming and ranching operations to protect oak woodlands; provide incentives for the protection of oak trees that provide superior wildlife values; encourage local land use planning that preserves oak woodlands; and provide assistance to local government entities, park, and open space districts for the development and implementation of oak conservation elements in local general plans.

The Oak Woodland Conservation Act (Chapter 588, Statutes of 2001) allows up to 20 percent of grant funds to be spent on public education and outreach efforts and assistance to local governmental entities for the development of oak conservation elements in local general plans. The remaining 80 percent of the funds appropriated must be spent on capital outlay.

To date, the Wildlife Conservation Board has approved funding to preserve 282,000 acres of oak woodlands.

Proposition 84, Chapter 6, Section 75055 (d) (2) provides \$15 million for the preservation of oak woodlands.

**Governor's Budget.** The Governor's Budget proposes \$14,293,000 in Proposition 84 bond funds for the Oak Woodlands Conservation Program.

**Staff Analysis.** The Oak Woodlands Conservation Program received \$5 million in Proposition 12 bond funds and \$4.8 million in Proposition 40 bond funds. Of those amounts, approximately \$2.5 million in Proposition 12 funds remains. The WCB has been able to encumber approximately \$1.8 million each year the program has been in existence. Given this rate of fund expenditure, the Legislature may wish to consider reducing the requested appropriation in budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee appropriate \$5 million in one-time funding for the Oak Woodlands Conservation Program.

### 3. Integrating Agricultural Activities with Ecosystem Restoration and Wildlife Protection

**Background.** California contains some of the most valuable agricultural land in the world. Each year agricultural land is lost to development since that development is more financially profitable than farming. Conservation measures that are designed to reward and encourage the integration of working farmlands and the natural ecosystem provide an opportunity to meet critical life cycle needs of many wildlife species. The cost of implementing such natural ecosystem practices to farming operations are frequently prohibitive for many farmers.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) Chapter 6, Section 75055 (d) (4) authorizes \$5 million for grants to assist farmers in integrating agricultural activities with ecosystem restoration and wildlife protection.

**Governor's Budget.** The Governor's Budget proposes \$4,762,000 in Proposition 84 bond funds for grants to assist farmers in integrating agricultural activities with ecosystem restoration and wildlife protection.

**Staff Analysis.** The Wildlife Conservation Board would provide for 10 years of contract protection to the restored land. However, bond funded projects are repaid from the General Fund for 30 years. Bond funded projects should have endurance matching the payback period.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the following budget bill language:

The funds in this item shall only be for projects with permanent benefits to wildlife and farmlands.

## 4. Vegetation Mapping and Wildlife Corridors

**Background.** Wildlife corridors are the stretches of natural habitat that are used by wildlife to move from one area to another. Frequently, these wildlife corridors pass near or through urbanized areas. Obtaining more information on what routes wildlife use to move from one natural area to another would allow departments charged with protection of wildlife to more strategically protect critical habitat.

The Wildlife Conservation Board (WCB) has multiple programs that deal with restoration of habitat and stewardship of native species. Thus, the WCB is in a unique position to catalogue vegetation habitat and the movement of species.

**Staff Recommendation.** Since funding to conduct vegetation mapping and wildlife corridors activities is continuously appropriated in the bond, it is not necessary for the subcommittee to make an appropriation for this item. Staff does recommend, however, that the subcommittee adopt the following budget bill language to direct the Wildlife Conservation Board to work with the Department of Fish and Game to implement Vegetation and Wildlife Corridor mapping:

3640-301-6029

X) It is the intent of the legislature that the Wildlife Conservation Board use funds appropriated in Public Resources Code Section 75055 (b) to work with the Department of Fish and Game to complete Vegetation Mapping for high priority lands as determined by the board.

XX) It is the intent of the legislature that the Wildlife Conservation board use funds appropriated in Public Resources Code Section 75055 (b) to work with the Department of Fish and Game to complete a statewide assessment of wildlife corridors using existing data available to the department and the board.

Additionally, staff recommends that the subcommittee adopt trailer bill language in concept that would codify Vegetation Mapping Criteria that is used by the Department of Fish and Game.



## 3760 State Coastal Conservancy

**Background.** The State Coastal Conservancy (SCC) is authorized to acquire land, undertake projects, and award grants for the purposes of: (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses. In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board.

**Governor's Budget.** The Governor's budget proposes \$138 million for the State Coastal Commission. This is a 36 percent decrease over the current year budget due to decreased capital outlay funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Coastal Resource Development	\$4,895	\$5,057	\$162	3.3
Coastal Resource Enhancement	12,758	6,528	-6,230	-48.8
Administration	3,282	3,939	657	20.0
<i>less distributed administration</i>	-3,282	-3,939	-657	20.0
Capital Outlay	205,056	130,737	-74,319	-36.2
<b>Total</b>	<b>\$222,709</b>	<b>\$142,322</b>	<b>-\$80,387</b>	<b>-36.1</b>
<b>Funding Source</b>				
General Fund	\$8,000	\$0	-\$8,000	-100
Special Funds	13,113	10,587	-2,526	-19.2
Bond Funds	165,455	127,677	-37,778	-22.8
<i>Budget Act Total</i>	<i>186,568</i>	<i>138,264</i>	<i>-48,304</i>	<i>-25.8</i>
Federal Trust Fund	5,142	2,132	-3,010	-58.5
Reimbursements	30,999	1,926	-29,073	-93.7
<b>Total</b>	<b>\$222,709</b>	<b>\$142,322</b>	<b>-\$80,387</b>	<b>-36.1</b>

## 1. Staffing to Implement Proposition 84

**Background.** Proposition 84 allocates \$360 million for the Coastal Conservancy's coastal and San Francisco Bay programs. Proposition 84 also allocates \$90 million for the California Ocean Protection Council.

These new positions would administer the California Ocean Protection Council's programs and assist in such high profile efforts as the creation of marine reserves, ocean mapping, and the development of ocean observation systems.

These new positions would also work on projects such as the Klamath River restoration, the South Bay Salt Ponds in San Francisco Bay, the removal of Matilija Dam, and the restoration of Ballona Lagoon.

**Governor's Budget.** The Governor's Budget proposes \$1.5 million in Proposition 84 bond funds for five positions to implement Proposition 84 programs.

**Staff Analysis.** The Administration has not provided a sufficient explanation as to why the \$1,035,000 in consulting fees is required in addition to the five positions requested.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the five positions requested for Proposition 84 implementation and reject the \$1,035,000 for consulting fees.

## 2. Proposition 84 Funds for Coastal Conservancy Programs

**Background.** The State Coastal Conservancy works on three major programs: coastal resource enhancement, public access and coastal resource development, and San Francisco Bay Conservancy. The Coastal Conservancy's capital outlay projects protect and improve rivers, lakes, streams, watersheds, beaches, bays, coastal waters, and other natural resources of the coast and San Francisco Bay area; and promote the public's access to and enjoyment of the coast and San Francisco Bay shoreline; work on the California Coastal Trail; and provide trail connections to the coast from inland areas, including the development of regional river parkway systems.

Proposition 84 provides funds for the State Coastal Conservancy:

- \$45 million for Santa Ana River Parkway – Chapter 5, Section 75050 (i).
- \$135 million for protection of beaches, bays, coastal waters, and watersheds – Chapter 7, Section 75060 (b)
- \$45 million for protection of Monterey Bay – Chapter 7, Section 75060 (e)
- \$27 million for protection of San Diego Bay – Chapter 7, Section 75060 (f)

Proposition 84 provides funds for the San Francisco Bay Area Conservancy:

- \$108 million for the San Francisco Bay Area Conservancy Program – Chapter 7, Section 75060 (c)

**Governor's Budget.** The Governor's Budget proposes \$84,443,000 in Proposition 84 bond funds for the State Coastal Conservancy for either capital outlay or local assistance.

The funds would be used to:

- Acquire, restore, and enhance river and stream corridors, wetlands, urban watersheds, bays and estuaries, as well as related coastal waters, beaches, and other environmentally sensitive lands and waters in coastal areas to protect public health and safety, and preserve biodiversity.
- Acquire land and rights-of-way, to develop public accessways, including accepted offers-to-dedicate, to expand and improve the California Coastal Trail, and to preserve scenic open space lands.
- Acquire, restore, and enhance wetlands and other environmentally sensitive lands in the San Francisco Bay area and to grant funds for such purposes to public agencies and nonprofit organizations.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget request as one-time funding with the following budget bill language:

Of the amount appropriated in this item, \$2,985,000 shall be allocated for projects under the direction of the San Diego River Conservancy.

### 3. Ocean Protection Council: Capital Projects and Science Applications

**Background.** The California Ocean Protection Council (COPC) works on a wide variety of problems on California's coast and ocean, including over-fishing, habitat destruction, invasive species, beach erosion, loss of economic vitality, poor water quality, lack of enforcement capabilities, and marine debris. COPC is currently working on an ocean mapping project that aims to map all state waters over the next five years.

Proposition 84, Chapter 7, Section 75060 (g) provides \$90 million to the California Ocean Protection Trust Fund, funds from which can only be used for ocean protection and related activities.

**Governor's Budget.** The Governor's Budget proposes \$28 million in Proposition 84 bond funds for the Ocean Protection Council for capital projects and science applications. Of that amount, approximately \$5 million would be for science and the rest for capital outlay.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the understanding that the funds are one-time only. Staff also recommends that the Subcommittee approve the following budget bill language:

Notwithstanding any other provision of the law, the funds appropriated in this item may not be expended on invasive species control.

## 3790 Department of Parks and Recreation

**Background.** The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Support of the Department of Parks and Recreation	\$ 466,148	\$ 382,490	-\$83,658	-17.9
Local Assistance Grants	93,458	44,279	-49,179	-52.6
Capital Outlay	169,174	67,011	-102,163	-60.4
<b>Total</b>	<b>\$ 728,780</b>	<b>\$ 493,780</b>	<b>-235,000</b>	<b>-32.2</b>
<b>Funding Source</b>				
General Fund	\$ 231,630	\$ 150,359	-81,271	-35.1
Special Funds	233,056	202,950	-30,106	-12.9
Bond Funds	139,291	69,403	-69,888	-50.2
<i>Budget Act Total</i>	<i>\$ 603,977</i>	<i>\$422,712</i>	<i>\$-181,265</i>	<i>-30</i>
Federal Trust Fund	77,633	27,241	-50,392	-64.9
Reimbursements	46,136	43,013	-3,123	-6.4
Harbors and Watercraft Revolving Fund	747	814	67	8.9
California Missions Foundation Fund	289	0	-289	-100
<b>Total</b>	<b>\$ 728,782</b>	<b>\$ 493,780</b>	<b>\$-235,002</b>	<b>-32.2</b>

### 1. Deferred Maintenance Program

**Background.** The Department of Parks and Recreation (Parks) has an estimated \$900 million backlog of deferred maintenance. In 2006-07, the Legislature appropriated \$250 million General Fund to the Department of Parks and Recreation. The Governor's Budget proposes to revert

\$160 million of that General Fund appropriation. The Department of Parks and Recreation needs staff to implement the \$90 million in deferred maintenance it still has left. Parks states that it needs 41 positions, of which it has already filled 35.

**Governor's Budget.** The Governor's Budget proposes to make permanent 41 administratively created maintenance positions at the Department of Parks and Recreation. The total cost of the positions would be approximately \$13 million out of the \$90 million General Fund.

**Staff Analysis.** The Governor's proposal requests the position be made permanent, but the work for \$90 million in maintenance will only last a few years.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as two-year limited-term positions.

## 2. Proposition 1C Parks Funds

**Background.** The Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) authorizes \$200 million in general obligation bonds for housing-related local parks. These funds are available upon appropriation by the Legislature for housing-related park grants in urban, suburban, and rural areas, subject to the conditions and criteria that the Legislature may provide in statute.

**Staff Proposal.** Staff proposes that for 2007-08 the Legislature approve \$30 million in one-time Proposition 1C bond funds to be allocated by the Department of Parks and Recreation through a competitive grant process in accordance with the bond and implementing legislation with specific attention to housing-related parks.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the staff proposal.

## 3. Proposition 84 Planning, Administration for State Park System Allocation

**Background.** Proposition 84, Section 75063(a) provides \$400 million in general obligation bond funds to the Department of Parks and Recreation for acquisition and development. The department has identified nearly \$1.3 billion in development needs throughout the state park system. The development needs are driven by aging infrastructure, unmet demand, growing and changing state population, and threats to natural and cultural areas.

**Governor's Budget.** The Governor's Budget proposes \$5,206,000 in Proposition 84 bond funds for 57.9 new positions to administer the Proposition 84 bond.

**Staff Recommendation.** Staff recommends that the Subcommittee approve 30 positions and request the department to provide further justification in Conference for the total number of positions requested.

## 4. Proposition 84 Program Delivery for Local Grant Programs

**Background.** Parks and Recreation has for a long time administered grants from bond funds to local governments and non-profits for park development. Proposition 84 provides two funding sources for the Department of Parks and Recreation to use as local assistance:

- \$400 million in Chapter 9, Section 75065 (b) for local and regional parks
- \$100 million in Chapter 8, Section 75063 (b) for nature education and research facilities

Proposition 84 also includes \$90 million in urban greening funds, of which \$70 million is not designated to any particular department. The Department of Parks and Recreation wants to administer that \$70 million for local assistance grants.

**Governor's Budget.** The Governor's Budget proposes \$1.37 million in Proposition 84 bond funds for 10.2 new positions to administer parks Proposition 84 bond grants.

**Staff Analysis.** The use of the \$90 million in urban greening funds should be decided through a policy bill.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$1,372,000 from Proposition 84 bond funds and 10.2 positions. Staff recommends that the positions be on-going but the program funds be one-time. Staff further recommends that the Subcommittee state that none of the funds appropriated will come from Proposition 84, Section 75063(b). Funds for projects and grants will be one-time only.

## 5. Capital Outlay May Finance Letters

**Finance Letters.** The May Finance Letters included capital outlay projects requesting about \$12.8 million in Proposition 84 bond funds. These projects are:

- **Statewide: State Park System Opportunity and Inholding Acquisitions** – \$5 million from Proposition 84 bond funds for acquisition of land that is either adjacent to or substantially enclosed within an adjoining State Park property.
- **Los Angeles State Historic Park, Site Development** – \$5,854,000 from Proposition 84 bond funds for preliminary plans for the phased development of permanent facilities at the 32-acre Los Angeles State Historic Park site in downtown Los Angeles.
- **Calaveras Big Trees State Park, New Visitor Center** – \$1,994,000 from Proposition 84 bond funds for working drawings, construction, and equipment for a new visitor center. The total project cost is \$5,839,000.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Finance Letters and augment the “Statewide: State Park System Opportunity and Inholding Acquisitions” proposal to \$30 million from Proposition 84 bond funds.

## 3810 Santa Monica Mountains Conservancy

**Background.** The Santa Monica Mountains Conservancy (SMMC) acquires, restores, and consolidates lands in the Santa Monica Mountains Zone for park, recreation, or conservation purposes. The SMMC was established by the Legislature in 1980.

**Governor's Budget.** The Governor's Budget proposes \$18,207,000 for operations and capital outlay expenditures for the SMMC from various special funds and from Proposition 84 bond funds.

- \$1,194,000 for operations and to support 5.2 positions.
- \$17,013,000 for capital outlay and local assistance.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Santa Monica Mountains Conservancy	\$778	\$1,194	\$416	53.4
Capital Outlay	24,068	17,013	-7,055	-29.3
<b>Total</b>	<b>\$24,846</b>	<b>\$18,207</b>	<b>-\$6,639</b>	<b>-26.7</b>
<b>Funding Source</b>				
Special Funds	\$502	\$260	-\$242	-48.2
Bond Funds	24,344	17,947	-6,397	-28.2
<b>Total</b>	<b>\$24,846</b>	<b>\$18,207</b>	<b>-\$6,639</b>	<b>-28.6</b>

### 1. Los Angeles River Restoration

**Background.** The Los Angeles River flows through an area covered by two conservancies: the Santa Monica Mountains Conservancy and the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy. These two conservancies are charged with the responsibility to protect and restore habitat along the Los Angeles River.

**Staff Recommendation.** In order for the Legislature to gain a better understanding of the ongoing restoration efforts along the Los Angeles River, staff recommends the following Supplemental Report Language:

On or before January 10, 2008, the Santa Monica Mountains Conservancy and the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy shall submit to the Legislature (including budget and fiscal committees from both houses) on actions that both conservancies have undertaken to help protect and restore habitat along the Los Angeles River. The report shall include information on ways the two conservancies have collaborated on protection and restoration efforts, as well as a cost estimate for the next five years of projects the two conservancies intend to undertake.

## 3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

**Background.** The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (SGLAC) acquires and manages public lands in the San Gabriel basin, along the San Gabriel river and its tributaries, the lower Los Angeles river and its tributaries, and the San Gabriel Mountains. The conservancy acquires land to provide open space, low-impact recreational and educational uses, water conservation, watershed improvement, and wildlife and habitat restoration and protection.

**Governor's Budget.** The Governor's budget proposes \$38,834,000 from various funding sources for operations and capital outlay. The budget proposes 5.5 new positions.

- \$1,164,000 from special funds and Proposition 50 and Proposition 84 bond funds for operations and 9 positions.
- \$12,670,000 from Proposition 12 bond funds for capital outlay.
- \$25,000,000 from Proposition 84 bond funds for capital outlay.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	\$555	\$1,164	\$609	109.7
Capital Outlay	6,210	37,670	31,460	506.6
<b>Total</b>	<b>\$6,765</b>	<b>\$38,834</b>	<b>\$32,069</b>	<b>474.0</b>
<b>Funding Source</b>				
Special Funds	\$323	\$319	-\$4	-1.2
Bond Funds	6,417	38,515	32,098	500.2
<i>Budget Act Total</i>	<i>6,740</i>	<i>38,834</i>	<i>32,094</i>	<i>476.1</i>
Reimbursements	25	0	-25	-100.0
<b>Total</b>	<b>\$6,765</b>	<b>\$38,834</b>	<b>\$32,069</b>	<b>474.0</b>



## 1. Proposition 84 Capital Outlay and Grants

**Background.** The Rivers and Mountains Conservancy acquires and manages lands. The conservancy also provides grants to local governments, non-profits, water districts, and others to perform site preservation, enhancement, and restoration. The conservancy has a list of over 400 projects in its work area that are ready for funding. The conservancy has a 5-year plan for programs and acquisition.

Proposition 84, Chapter 5, Section 75050 (g) (2) provides \$36 million to the Rivers and Mountains Conservancy for unspecified projects within watersheds.

Proposition 84, Chapter 7, 75060 (d) (3) provides \$15 million to the Rivers and Mountains Conservancy for watersheds.

**Governor's Budget.** The Governor's Budget proposes \$25 million in proposition 84 bond funds for the conservancy.

**Staff Analysis.** The Rivers and Mountains Conservancy capital outlay funds have fluctuated greatly in the past. In 2003-04 the conservancy received \$34.3 million in capital outlay funds, but in 2006-07 only \$6.2 million in capital outlay funds.

Although the budget change proposal submitted by the Governor is for \$25 million, the proposal states that grant funds totaling \$46.7 million will be provided to the Rivers and Mountains Conservancy over 5 years. The Legislature may wish to consider stating that this appropriation is one-time and does not serve as a tacit approval of future grant funds appropriations.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as one-time funding.

## 3845 San Diego River Conservancy

**Background.** The San Diego River Conservancy (SDRC) acquires and manages public lands within the San Diego River Area. It acquires lands to provide recreational opportunities, open space, wildlife habitat, species protection, wetland protection and restoration, and protection and maintenance of the quality of the San Diego River.

**Governor's Budget.** The Governor's Budget proposes \$3,194,000 to support SDRC in 2007-08. This is 979 percent more than the level of expenditures as estimated in the current year due to an increase in bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
San Diego River Conservancy	\$296	\$449	\$153	51.6
Capital Outlay	500	2,745	2,245	449.0
<b>Total</b>	<b>\$796</b>	<b>\$3,194</b>	<b>\$2,398</b>	<b>301.2</b>
<b>Funding Source</b>				
Special Funds	\$296	\$299	\$3	1.0
Bond Funds	0	2,895	2,895	100.0
<i>Budget Act Total</i>	<i>296</i>	<i>3,194</i>	<i>2,898</i>	<i>979.1</i>
Reimbursements	500	0	-500	-100.0
<b>Total</b>	<b>\$796</b>	<b>\$3,194</b>	<b>\$2,398</b>	<b>301.2</b>

### 1. Urban Greening

**Background.** The San Diego River watershed includes 440 square miles with five water storage reservoirs, a groundwater aquifer, riparian habitat, coastal wetlands, and tide pools. A little over half of the San Diego River watershed remains undeveloped. Urban pressures on the San Diego River have led to changes in the river's hydrologic function and its physical characteristics. The Lower San Diego River is also polluted with phosphorus, dissolved oxygen, fecal coliform and total dissolved solids. The San Diego River Conservancy has a 52-mile jurisdiction along the San Diego River.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) Chapter 9, Section 75065(a) allocates \$90 million toward urban

greening projects. The Proposition does not specify an agency to receive these funds. The Proposition states that the funds must be used for:

“...projects that reduce energy consumption, conserve water, improve air and water quality, and provide other community benefits. Priority shall be given to projects that provide multiple benefits, use existing public lands, serve communities with the greatest need and facilitate joint use of public resources and investments including schools. Implementing legislation shall provide for planning grants for urban greening programs.”

**Governor’s Budget.** The Governor’s Budget proposes \$2,895,000 in Proposition 84 bond funds for urban greening planning and projects, and one position.

**Staff Analysis.** The Propositions specifies in Chapter 9, Section 75065(a) that: “Implementing legislation shall provide for planning grants for urban greening programs.” However, the Administration has not submitted trailer bill language to implement the urban greening programs.

Funding for the San Diego River Conservancy is recommended under the State Coastal Conservancy’s budget.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 3855 Sierra Nevada Conservancy

**Background.** Legislation was enacted in 2004, (AB 2600), to create a new Sierra Nevada Conservancy (SNC) to provide a vehicle for increasing and coordinating state and federal investments in the Sierra Nevada region. The region contains the mountains and the foothills of the Sierra Nevada range and certain adjoining areas, including Mono Basin, the Owens Valley, and part of the southern Cascade region. The jurisdiction covers all or portions of 22 counties from Shasta and Modoc counties in the north to Kern County in the south. Six geographic sub-regions have been defined within the conservancy boundaries. The conservancy is prohibited from acquiring fee title to land.

**Governor's Budget.** The Governor's Budget proposes \$21.6 million for the Sierra Nevada Conservancy for operations and local assistance grants. This is a 438 percent increase over the current year due to newly available bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Sierra Nevada Conservancy	\$4,016	\$21,604	\$17,588	437.9
<b>Total</b>	\$4,016	\$21,604	\$17,588	437.9
<b>Funding Source</b>				
Special Funds	\$3,816	\$3,904	\$88	2.3
Bond Funds	0	17,500	17,500	
<i>Budget Act Total</i>	<i>3,816</i>	<i>21,404</i>	<i>17,588</i>	<i>460.9</i>
Reimbursements	200	200	0	0.0
<b>Total</b>	\$4,016	\$21,604	\$17,588	437.9

### 1. Proposition 84 Grant Funding

**Background.** The Sierra Nevada Conservancy (SNC) was created by legislation in 2004. The SNC responsibilities are to:

- increase opportunities for tourism and recreation
- protect, conserve, and restore the region's physical, cultural, archaeological, historical, and living resources
- aid in the preservation of working landscapes
- protect and improve water quality
- assist the regional economy through the operation of the Conservancy's program

- undertake efforts to enhance public use and enjoyment of lands owned by the public

The SNC has never previously had a grant program and has not managed more than \$4 million in funds. SNC is currently developing guidelines for providing grants to local agencies, but those grant guidelines are not yet complete. Grant guidelines must be developed using a comprehensive process of public hearings, including the development of notices, responding to public comments, and consulting with legal staff.

Proposition 84, Chapter 5 Section 75050(j), provides SNC with \$54 million for the protection and restoration of rivers, lakes and streams, their watershed and associated land, water, and other natural resources.

**Governor's Budget.** The Governor's Budget proposes \$17.5 million in Proposition 84 bond funds for local assistance grants and five new positions at the Sierra Nevada Conservancy.

**Staff Analysis.** The Sierra Nevada Conservancy's work is very important for preservation of natural resources in the Sierra Mountains. However, the conservancy has never managed a grant program before. The conservancy is still developing its first set of grant guidelines, which are going out for public comment in March 2007. The conservancy may be unprepared for the amount of paperwork and tracking general obligation bond fund grants require.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$8,750,000 in Proposition 84 bond funds. The funds for projects and grants would be one-time while funding for positions would be on-going.

## 3860 Department of Water Resources

**Background.** The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay Delta.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage receipt and delivery of the energy procured by the contracts.

**Governor's Budget.** The Governor's Budget proposes \$1.4 billion to support DWR in the budget year. This is a 27 percent increase over estimated expenditures in the current year mainly as the result of an increase in the amount of resources bond funds available for appropriation. General Fund support for the department is proposed to decrease by 99 percent to reflect a shift to bond funding. An additional \$6.4 billion is not subject to the Budget Act (these funds are primarily for energy payments related to the 2001 electricity crisis).

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
California Water Plan	\$ 419,532	\$ 646,666	\$ 227,134	54.1
State Water Project Infrastructure	816,859	835,566	18,707	2.2
Public Safety and Prevention of Damage	262,430	597,163	334,733	127.5
Services	8,943	9,252	309	3.5
California Energy Resources Scheduling	5,789,862	5,577,211	-212,651	-3.7
Capital Outlay	451,074	196,607	-254,467	-56.4
Administration	63,700	63,848	148	0.2
<i>less distributed administration</i>	<i>-63,700</i>	<i>-63,848</i>	<i>-148</i>	<i>0.2</i>
Loan Repayment Program	-4,013	-4,013	0	0
<b>Total</b>	<b>\$ 7,744,687</b>	<b>\$ 7,858,452</b>	<b>\$ 113,765</b>	<b>1.5</b>
<b>Funding Source</b>				
General Fund	\$ 688,065	\$ 5,115	-\$682,950	-99.3
Special Funds	12,717	11,923	-794	-6.2
Bond Funds	398,035	1,378,611	980,576	246.3
<i>Budget Act Total</i>	<i>1,098,817</i>	<i>1,395,649</i>	<i>296,832</i>	<i>27</i>
Federal Trust Fund	12,665	12,863	198	1.6
State Water Project Funds	817,898	837,026	19,128	2.3
DWR Electric Power Fund	5,789,862	5,577,211	-212,651	-3.7
Bosco-Keene Renewable Resources Investment Fund	20	0	-20	
Reimbursements	25,425	35,703	10,278	40.4
<b>Total</b>	<b>\$ 7,744,687</b>	<b>\$ 7,858,452</b>	<b>\$ 113,765</b>	<b>1.4</b>

## 1. Evaluating and Improving the State's Flood Control System

**Background.** The Bay-Delta has a vast flood control system consisting of levees, weirs, bypasses, and overflow areas. The Department of Water Resources intends to undertake flood control work in the Central Valley and the Delta in the following program areas:

- Delta Levees System Integrity
- Sediment Removal Flood Control Project
- Flood Control Project Subventions Program
- Floodway Corridor and Flood Protection Corridor Programs
- State-Federal Flood Control System Modification
- Floodplain Evaluation and Delineation
- California Flood Plan
- Statewide Flood Damage Reduction Feasibility Studies and Local Levee and Flood Control Structure Evaluation Grants

**Governor's Budget.** The Governor's Budget proposes \$369,870,000 from Proposition 1E and Proposition 84 bond funds for evaluating and improving the state's flood control system. The funds would also support 52 new positions. The funding is divided as follows:

- \$19,550,000 for state operations from Proposition 1E
- \$7,370,000 for state operations from Proposition 84
- \$167,450,000 for local assistance from Proposition 1E
- \$175,500,000 for local assistance from Proposition 84
- \$91 million to be continuously appropriated from Proposition 84

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with trailer bill language stating that: 1) the funds shall not be used on any project that would increase state liability under the *Paterno* ruling; 2) that grants to local agencies shall be conditioned on appropriate assignment of agency responsibility, planning, and local land use decisions to protect against flood damage; 3) specify funds for evaluation and repairs for non-project levees; and 4) specify the appropriate local and federal match contributions.

Staff also recommends that the Subcommittee adopt Supplemental Report Language:

Beginning on October 1, 2007, the Department of Water Resources shall report quarterly to the Legislature (including budget and fiscal committees from both houses) on the projects it has undertaken and plans to undertake with the funds appropriated. The report shall include information on the project title, the date the project was begun or is anticipated to begin, the total amount encumbered on the project to date, and the total estimated project cost.

## 2. Integrated Regional Water Management and Stormwater Flood Management

**Background.** Proposition 84 and Proposition 1E, passed by voters in November 2006, jointly provided \$1.9 billion for integrated regional water management. The Department of Water



Resources is proposing to use these funds for local assistance grants, grant administration, and technical assistance, including data analysis and program assessment. Specifically, the funds would be used toward:

- Integrated regional water management grants (\$808.5 million)
- Stormwater flood management grants (\$274.5 million)
- Regional planning grants and regional planning grants for disadvantaged communities (\$30 million)
- Local groundwater management grants (\$18 million)
- Directed actions to projects with interregional and statewide benefits (\$32 million)
- Directed actions to projects that benefit disadvantaged communities (\$10 million)
- Scientific research grants (\$8 million)
- Data collection, management, dissemination, and analysis (\$15 million)
- Technical assistance and coordination for collaborative regional planning efforts (\$15 million)
- Assessment of progress and benefits of integrated regional water management implementation (\$3 million)
- Grant administration for 10 years (\$40.5 million)

**Governor's Budget.** The Governor's Budget proposes \$965 million in Proposition 84 bond funds and \$289.5 million in Proposition 1E funds over 11 years. Also, 46.5 new positions are requested to support these two programs.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

### 3. Urban Streams Proposition 84 Grant Program

**Background.** Traditional management of streams in California has led to many instances of drastic alteration of natural systems and loss of environmental quality. With improved understanding of these natural systems the state has undertaken new kinds of projects intended to address flooding, erosion, and other watershed issues.

The Urban Streams Restoration Program provides technical assistance and grants for communities to address local flooding and erosion problems, enhance environmental values, and promote community stewardship of streams. The program specifically funds restoration, land reserve acquisition, and promotes alternative land management practices.

The Urban Streams Restoration Program is currently operating with Proposition 13 and Proposition 40 funds. The program has been operating since fiscal year 2000-01 and each year the amount of local assistance requested has far outpaced the available funds.

**Governor's Budget.** The Governor's Budget proposes \$16,470,000 for local assistance and \$900,000 for state operations from Proposition 84 bond funds. Funding for existing positions is requested. The funds would be expended as follows:

- 2007-08: \$150,000 in state operations for 1.2 existing positions and \$9.1 million for local assistance
- 2008-09: \$320,000 in state operations for 2.3 existing positions and \$7,370,000 for local assistance
- 2009-10: \$290,000 in state operations for 2.1 existing positions
- 2010-11: \$90,000 in state operations for 0.9 existing positions
- 2011-12: \$50,000 in state operations for 0.6 existing positions

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$9.1 million one-time funding for local assistance and approve 1.2 positions as on-going.

## 4. Capital Outlay Provisional Language

**Background.** Traditionally, the Department of Water Resources has partnered in construction of federally-authorized projects with state-local cost sharing formulas established in the California Water Code. With the passage of Proposition 1E and Proposition 84, the state has significant amounts of funding to improve its flood management programs and infrastructure. This proposal would allow the Department of Water Resources to undertake projects with State funds and local agency funds to construct the projects with or without federal participation or crediting.

**Finance Letter.** The May Finance Letter proposes new capital outlay provisional language for specific projects.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the provisional language. Staff also recommends that the Subcommittee approve trailer bill language to ensure projects are subject to Public Works Board oversight when the project has no federal contribution. The trailer bill language should specify uses of funds and require any expenditure of funds for costs properly assigned to the federal government be subject to 30-day notice and concurrence by Joint Legislative Budget Committee. The trailer bill language should also state that the approval of the project be conditioned on reimbursement or crediting for costs by federal government.

## 5. Capital Outlay

**Projects.** The Governor's Budget includes multiple capital outlay projects:

- **Mid-Valley Area Levee Reconstruction Project** - \$874,000 Proposition 1E bond funds for acquisition and construction. This project would restore sections of the Sacramento River Flood Control Project to original design standards. This project would protect about 3,000 people and cost the state an estimated \$7,467,000 to fully construct.
- **South Sacramento County Streams** - \$8,851,000 Proposition 1E bond funds for acquisition, working drawings, and construction. This project would construct 12.6 miles of floodwalls, raise 4.6 miles of existing levees, construct 1.3 miles of new levees, install sheet-pile cutoff walls in 7.7 miles of existing levees, channel exactions, constructing box culverts,

and retrofitting 17 bridges. The total estimated cost of the project to the state is \$21.2 million, toward which \$16.6 million has already been budgeted.

- **American River Watershed, Folsom Dam Raise** - \$29,309,000 in Proposition 1E bond funds for acquisition and construction. This project would raise the Folsom Dam by seven feet and provide an additional 95,000 acre-feet of floodwater storage space. This project also includes new water temperature control shutters, 620 acres of ecosystem restoration, and Folsom Reservoir dike strengthening. The total estimated cost of the project to the state is \$121.3 million.
- **American River Watershed, Folsom Dam Raise Bridge** - \$4,401,000 in Proposition 1E bond funds for acquisition and construction. This project would meet the requirements of SB 347 for the state to contribute financially up to \$9 million with the City of Folsom to construct a new bridge over the American River south of the Folsom Dam. The total cost of the bridge project is estimated at \$41 million, of which the state would cover \$9 million.
- **American River Flood Control Natomas Features** - \$3,740,000 in Proposition 1E bond funds for reimbursement to the Sacramento Area Flood Control Agency for the State's share of Phase 1B of the Natomas Features project.
- **West Stanislaus County Orestimba Creek Project** - \$755,000 in continuously appropriated Proposition 84 bond funds for the state's share of feasibility studies for flood damage reduction and ecosystem restoration on Orestimba Creek, Del Puerto Creek, and Salado Creek in Western Stanislaus County.
- **Rock Creek/Keefer Slough Feasibility Study** - \$488,000 in continuously appropriated Proposition 84 bond funds for a study of a public safety flood control project for the Rock Creek-Keefer Slough watershed to be completed jointly with the U.S. Army Corps of Engineers. The total project cost is estimated at \$27 million, of which the federal government intends to cover 50 percent.
- **White River/Deer Creek Feasibility Study** - \$250,000 in continuously appropriated Proposition 84 bond funds for the first year of a feasibility study for flood control improvements on White River and Deer Creek in Tulare County near the community of Earlimart. The total cost of the study is estimated at \$3.1 million.
- **Frazier Creek/Strathmore Creek Feasibility Study** - \$250,000 in continuously appropriated Proposition 84 bond funds for the first year of a feasibility study for flood control improvements on Frazier Creek and Strathmore Creek in Tulare County near the community of Strathmore.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals.

## 6. New Proposed Bond: Reliable Water Supply Bond Act of 2008

**Governor's Budget.** The Governor's Budget includes trailer bill language for a new general obligation bond of \$3.95 billion.

**Legislative Counsel's Digest:**

Under existing law, various bond acts have been approved by the voters to provide funds for water projects, facilities, and programs.

This bill would enact the Reliable Water Supply Bond Act of 2008 which, if approved by voters, would authorize, for purposes of financing a water development program, the issuance, pursuant to the State General Obligation Bond Law, of bonds in the amount of \$3,950,000,000. The bill would require the Secretary of State to submit the bond act to the voters at the November 4, 2008, statewide general election.

**Staff Analysis.** New general obligation bonds are a policy matter that should move through the Legislative policy process. Also, in November 2006, the voters passed \$9.3 billion in general obligation bonds for levees, water quality, and environmental protection. In addition, the state has approximately \$6.8 billion in unissued general obligation bonds for water quality, water supply, and environmental protection.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the trailer bill language.

## 7. System-wide Levee Evaluations and Repairs

**Governor's Budget.** The Governor's Budget proposes \$100 million in Proposition 1E bond funds to begin conducting a system-wide evaluation of the State's levees and repair erosion sites where deficiencies are found. Of the \$100 million, \$43.71 million will support 23 new positions and pay for consulting services.

**Project.** The system-wide levee evaluations and repairs will work on three areas:

- Levee Evaluations – \$30 million – Acquire and review existing data on levees and conduct subsurface explorations of levees. The results will be used to evaluate levee stability, seepage, settlement, erosion, and seismic failures.
- Levee Repairs – \$20 million – The repairs will correct known levee deficiencies but will not raise levee protection above the original design.
- Erosion Repairs – \$50 million – The repairs will involve field investigations, engineering analyses, and environmental surveys.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the following budget bill language:

Notwithstanding any other provision of law, of the funds appropriated in this item, \$30,000,000 shall be spent on levee evaluations in areas where there is the greatest potential threat to populations.

## 8. System-wide Levee Evaluations and Repairs

**Project.** This project would fund two purposes:

- Levee Evaluations – \$40 million – Evaluation of urban levees protecting at least 10,000 residents in the Central Valley.
- Erosion Repairs – \$25 million – Repair of critical erosion sites on the Sacramento River and the San Joaquin River Flood Control systems. The repairs would be on the 104 sites identified for critical erosion repairs for AB 142 funds, which are being shifted for Proposition 1E funds.

**Finance Letter.** The Finance Letter proposes \$65 million in Proposition 1E bond funds to conduct levee evaluations and critical erosion repairs. The funds will also support 25 existing positions. In addition, this proposal reverts \$168 million in unspent AB 142 General Funds. The activities originally planned for funding under AB 142 will be shifted to bond funds.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Finance Letter proposal.

## 9. State-Federal Flood Control System Evaluation

**Project.** This project would develop system-wide hydrologic, hydraulic, topographic, bathymetric, and economic damage information and models in support of flood control infrastructure, repairs, and improvements within the State Plan of Flood Control for the Central Valley. These activities intend to develop essential datasets and models that will be used for the planning, design, improvement, retrofit, construction, and repair of new and existing flood control infrastructure for the State Plan of Flood Control for the Central Valley.

**Finance Letter.** The Finance Letter proposes \$20 million in Proposition 1E bond funds to develop system-wide information and modeling for planning and designing repairs, improvements, and new facilities for the State Plan of Flood Control in the Central Valley.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Finance Letter proposal with the following budget bill language:

The department shall attempt to attain all feasible reimbursements for project portions attributable to the federal government.

## 10. Critical Repairs for Non-Project Levees: Local Levee Urgent Repair Program

**Project.** Non-project levees are levees that are not a state liability under *Paterno*. The Department of Water Resources (DWR) intends to address these levees through the Local Levee Urgent Repairs (LLUR) program. The LLUR program will be a competitive grant program

similar to other grant programs administered by DWR. Grants will be awarded based on criteria set forth in the program guidelines and will require a 50/50 cost-sharing formula between state and the local agency. Projects to be funded require demonstrated critical erosion or slope instability problems.

**Finance Letter.** The Finance Letter proposes \$39,840,000 from the continuously appropriated section of Proposition 84 to award grants to eligible local flood control agencies to repair local levees that are critically damaged by erosion, or improve the stability of local levees suffering from critical internal erosion.

**Staff Recommendation.** This proposal is informational only since it is from a continuously appropriated section of Proposition 84 (Section 75032) and thus the Legislature cannot alter the appropriation.

## 11. New Feasibility Studies and Levee Evaluations: Local Levee Evaluations Program

**Project.** Local levees, or non-project levees, are not considered a state liability under *Paterno*. The Local Levee Evaluations (LOLE) program will be a competitive grant program similar to other competitive grant programs administered by the Department of Water Resources. Grants will be awarded based on criteria set forth in the program guidelines and will require a 50/50 cost-sharing formula between state and local agency.

**Finance Letter.** The April Finance Letter proposes \$9,960,000 from continuously appropriated Proposition 84 bond funds for grants to eligible local flood control agencies to evaluate the condition and stability of local levees.

**Staff Recommendation.** This proposal is informational only since it is from a continuously appropriated section of Proposition 84 (Section 75032) and thus the Legislature cannot alter the appropriation.

However, staff recommends that the Subcommittee adopt trailer bill language specifying that the state shall pay for the levee evaluations of non-project levees where urban populations are at risk.

## 12. Enhanced Flood Response and Emergency Preparedness

**Project.** The purpose of the project is to implement measures to improve the existing preparedness of local emergency responders to floods in both the Sacramento River and San Joaquin River basins by enhancing hydrologic data collection, flood forecasting, flood warning procedures, local flood response plans, and related improvements.

**Finance Letter.** The April Finance Letter informs the Legislature of the department's intent to spend \$3.3 million from the continuously appropriated Section 75032 of Proposition 84 to work

with Federal and local partners implementing the Enhanced Flood Response and Emergency Preparedness Project.

**Staff Recommendation.** This proposal is informational only since it is from a continuously appropriated section of Proposition 84 (Section 75032) and thus the Legislature cannot alter the appropriation.

### 13. Reappropriation and Extension of Liquidation Request

**Finance Letter.** The April Finance Letter proposes reappropriation of various capital outlay projects:

- Merced County Streams: Castle Dam Unit Construction – \$333,976 General Fund and \$130,000 reimbursement
- Sacramento Riverbank Protection Projects - \$283,359 General Fund
- Tehama Section 205 Flood Control Project: Construction – \$77,787 General Fund and \$682,000 reimbursement
- Lower Sacramento Area Levee Reconstruction – \$27,756 General Fund

The Finance Letter also proposes extension of liquidation for the following capital outlay projects:

- Sutter County Bridge Replacement – \$616,165 General Fund
- Terminus Dam, Lake Kaweah Project – \$1,379,682 reimbursement
- Merced County Streams – \$323,129 General Fund
- American River Flood Control Project: Common Elements – \$4,667,858 General Fund and \$2,575,426 reimbursement

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Finance Letter proposal.

### 14. Reappropriation, Extension of Liquidation Period and Reversion for Various Funds

**Finance Letter.** The Finance Letter proposes reappropriation for various projects funded out of Proposition 13 bond funds:

- Agricultural Water Conservation Program – Reappropriation of \$14,999,397
- CALFED Conveyance Program, Delta Cross Channel – Reappropriation of \$229,312
- CALFED Conveyance Program, Fish Collection, Handling, Transportation, and Release Evaluation – Reappropriation of \$1,356,716
- CALFED Conveyance Program, Franks Tract – Reappropriation of \$1,473,595
- CALFED Conveyance Program, Through Delta Facility Study – Reappropriation of \$5,672,511

- CALFED Conveyance Program, Through Delta Facility Study – Reappropriation of \$947,950
- CALFED Ecosystem Restoration Project – Reappropriation of \$7,056,904
- CALFED Ecosystem Restoration Project – Reappropriation of \$13,509,640
- CALFED Science Program – Reappropriation of \$1,646,838
- CALFED Drinking Water Quality, Franks Tract – Reappropriation of \$1,245,000
- CALFED Conveyance Program, South Delta Hydrodynamic Investigations – Reappropriation of \$2,398,859
- Interim Reliable Water Supply Program – Reappropriation of \$6,250,000
- Safe Drinking Water Office, Pilot Projects – Reappropriation of \$11,450,000

The Finance Letter proposes reappropriation from Proposition 50 bond funds for:

- CALFED Drinking Water Quality, Franks Tract – Reappropriation of \$4,199,491

The Finance Letter also proposes extension of liquidation for various projects:

- Local Projects Loan and Grant Program – Extension of \$4,616 in Proposition 204 bond funds
- Local Projects Loan and Grant Program – Extension of \$198,520 in Proposition 204 bond funds
- Flood Protection Corridor Program – Extension of \$4,553,260 in Proposition 13 bond funds
- Flood Protection Corridor Program – Extension of \$12,299,055 in Proposition 13 bond funds
- Urban Streams Restoration Program – Extension of \$1,711,760 in Proposition 13 bond funds
- Agricultural Water Conservation Program – Extension of \$5,448 in Proposition 13 bond funds
- Groundwater Recharge Facilities Loan Program – Extension of \$60,348 in Proposition 13 bond funds
- Urban Water Conservation Program – Extension of \$109,315 in Proposition 13 bond funds
- Agricultural Water Conservation Program – Extension of \$9,430 in Proposition 13 bond funds
- Infrastructure Rehabilitation Program – Extension of \$4,508,367 in Proposition 13 bond funds
- Urban Water Conservation Program – Extension of \$8,949,662 in Proposition 13 bond funds
- Groundwater Storage Program – Extension of \$150,000 in Proposition 13 bond funds
- Groundwater Storage Program – Extension of \$48,538,129 in Proposition 13 bond funds
- Drinking Water Quality Program, USGS Low Intensity Chemical Dosing Project – Extension of \$368,600 in Proposition 13 bond funds
- Drinking Water Quality Program, Old River-Byron Tract and Rock Slough-Veale Tract Canal Encasement – Extension of \$6,099,225 in Proposition 13 bond funds
- Interim Reliable Water Supply Program – Extension of \$2,378,999 in Proposition 13 bond funds



- Drought Panel Recommendations Program – Extension of \$244,782 in Proposition 50 bond funds
- Drought Panel Recommendations Program – Extension of \$1,266,463 in Proposition 50 bond funds

The Finance Letter also proposes reversion of the following funds:

- Delta Levees Program, State Operations – Reversion of \$114,000 in Proposition 50 bond Funds

**Staff Recommendation.** Staff recommends that the Subcommittee approve Finance Letter proposal.

## 3900 State Air Resources Board

**Background.** The Air Resources Board (ARB), along with 35 local air pollution control and air quality management districts, protects the state's air quality. The local air districts regulate *stationary sources* of pollution and prepare local implementation plans to achieve compliance with federal and state standards. The ARB is responsible primarily for the regulation of *mobile sources* of pollution and for the review of local district programs and plans. The ARB also establishes air quality standards for certain pollutants, administers air pollution research studies, and identifies and controls toxic air pollutants.

**Governor's Budget.** The Governor's Budget proposes \$375 million to support the ARB in 2007-08. This is a 23 percent increase from estimated expenditures in the current year due to an increase in available bond funds. General Fund support for the ARB is also increasing by over 50 percent.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Mobile Source	\$ 269,938	\$ 330,468	\$ 60,530	22.4
Stationary Source	43,803	53,033	9,230	21.1
Subvention	10,111	10,111	0	0
Capital Outlay	120	1,000	880	733.3
Administration	11,960	13,926	1,966	16.4
<i>less distributed administration</i>	<i>-11,960</i>	<i>-13,926</i>	<i>-1,966</i>	<i>16.4</i>
<b>Total</b>	<b>\$ 323,972</b>	<b>\$ 394,612</b>	<b>\$ 70,640</b>	<b>21.8</b>
<b>Funding Source</b>				
General Fund	\$ 2,280	\$ 3,435	\$ 1,155	50.7
Special Funds	302,913	275,639	-27,274	-9
Bond Funds	0	96,500	96,500	100
<i>Budget Act Total</i>	<i>305,193</i>	<i>375,574</i>	<i>70,381</i>	<i>23.1</i>
Federal Trust Fund	13,778	13,963	185	1.3
Reimbursements	5,002	5,075	73	1.5
<b>Total</b>	<b>\$ 323,973</b>	<b>\$ 394,612</b>	<b>\$ 70,639</b>	<b>21.8</b>

## 1. Lower-Emission School Bus Program

**Background.** In 1998, following a ten-year study, the Air Resources Board (ARB) identified particulate matter (PM) from diesel-fueled engines as a toxic air contaminant. The ARB 2003 Children's School Bus Exposure Study indicates that children who ride school buses likely have increased exposure to diesel PM, as diesel exhaust levels inside the bus are higher than those in passenger cars on the road. The exposure was highest in school buses.

Currently, there are about 27,000 school buses in California. Of these, approximately 4,000 public school buses use engines built before 1987 and are extremely high-polluting. It is difficult to retrofit pre-1987 school buses because in 1987 new vehicle emissions standards went into effect that changed how the engines were built.

Pre-1977 school buses are of special concern because they do not meet the 1977 minimum federal motor vehicle safety standards. The state has already spent approximately \$100 million to replace pre-1977 school buses, but 210 such buses remain in service.

**Governor's Budget.** The Governor's Budget proposes \$96.5 million from Proposition 1B for two years to replace and retrofit diesel school buses. With these funds, 535 pre-1987 school buses would be replaced each year and 1,500 diesel school buses would be retrofitted with devices that reduce PM emissions by 85 percent. As part of the school bus replacement, all pre-1977 school buses would be replaced.

**Staff Recommendation.** Staff recommends that the Subcommittee:

1. Increase the appropriation to \$200 million
2. Reject the Governor's trailer bill language
3. Approve trailer bill language specifying that not less than 75 percent of the funds shall be for the purchase of new buses. The trailer bill language should also specify the criteria for certifying and verifying clean school bus technology.

## 2. Trade Corridors Emission Reduction Incentive Program

**Background.** The diesel trucks, ships, harbor craft, locomotives, and cargo handling equipment that move goods through California's ports and trade corridors emit large amounts of diesel particulate matter (PM) and nitrogen oxides (NOx). Diesel PM is a toxic air contaminant. Diesel PM from all sources (not just goods movement related) accounts for approximately 70 percent of the known cancer risk from air toxics in California. NOx contributes to the atmospheric formation of ozone and the fine particles that are linked to premature death.

Port-related operations and goods movement throughout California are responsible for about 70 percent of the total diesel PM emissions in the state, and nearly 40 percent of the NOx emissions. The goods movement sectors operate in close proximity to neighborhoods and are not currently required to comprehensively reduce emissions by either state or federal regulations. Some goods movement, such as locomotives, are outside the state's regulatory authority. International trade

at California's ports is projected to triple by 2020, leading to even more pollution than currently exists.

**Proposition 1B.** In November 2006, the voters passed Proposition 1B, which provides \$1 billion for addressing air quality along California's trade corridors.

The Air Resources Board (ARB) defines California's trade corridors as the Los Angeles/Inland Empire Region, the Central Valley Region, the Bay Area Region, and the San Diego/Border Region.

**Proposal.** The ARB presents a conceptual proposal for having cleaner technology in the goods movement industry, particularly along trade corridors. The proposal does not yet have program guidelines or funding criteria.

The ARB expects that the goods movement sectors would accelerate their investment in cleaner technologies in response to matching incentive funds offered through the bond. The proposed program would be part of the Emission Reduction Plan and the State Implementation Plans to meet federal air quality standards for fine particles and ozone. In developing the program, the ARB would give priority to the projects that are the most cost-effective in terms of reducing emissions and health risk over the lifetime of the project, per dollar invested.

The ARB also intends to establish and administer the program to ensure that cleaner technology subsidized by state bond monies continues to operate in California. The ARB suggests that one potential means to ensure technology stays in California is to promote the creation of companies that bid for port access (based on their ability to meet environmental and social criteria), contract directly with shipping lines, and employ drivers to move cargo (rather than independent contractors).

The first phase of the program would focus on identifying the target sources of pollution in detail and developing program guidelines (including accountability provisions to comply with Executive Order S-02-07), funding criteria, and a bond fund allocation plan in a public process for approval by ARB in late 2007. The ARB staff would hold public workshops to guide the development of these elements. Staff would also develop additional procedures and oversight provisions for incentives to be awarded by third parties. The ARB would begin awarding incentives and tracking progress later in Fiscal Year 2007-08.

ARB would use a combination of staff and third parties (other public agencies or external contractors) to administer the incentive program. The program would have an expanded two-year encumbrance period and a four-year liquidation period.

**Trailer Bill Language.** The Governor's proposal includes trailer bill language to implement the financial incentive program. The trailer bill language creates the Trade Corridors Emission Reduction Incentive Program, which would include financial incentives such as loans and grants for projects that reduce emissions in four trade corridors.

The proposed trailer bill language requires the ARB to adopt program guidelines by December 31, 2007. These program guidelines would have to include supplemental criteria that could be applied based on objective data. When using the project guidelines to select projects, the primary selection criterion to be used by the ARB would be the total emission reductions a project would achieve over its lifetime per state dollar invested.

**Benchmarks.** The Environmental Protection indicators for California identified air quality benchmarks, including: reducing emissions of particulate matter and its precursors, ozone precursors, and air toxics, as well as cutting both community-based cancer risk and cumulative exposure to air toxics.

**May Revise.** The Governor's May Revise Budget proposes \$111 million from Proposition 1B bond funds for incentives for cleaner technologies in goods movement. Of this amount, \$105.5 million would be for incentives and \$5.5 million for external contracts and 16 positions.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the \$111 million in May Revise proposal and reject the Governor's trailer bill language. Staff also recommends that the Subcommittee adopt trailer bill language that specifies the criteria for and amount of money for each of the categories: locomotives, port electrification, harbor craft, trucks, and other. The trailer bill language should also specify the oversight and control mechanisms for the funds.

### 3. Clean Construction Equipment for Bond Funded Projects

**Background.** Heavy-duty off road construction equipment is a major source of diesel exhaust emissions, smog-forming, and global warming-causing compounds. Diesel engines emit a complex mix of pollutants, the most visible of which are very small carbon particles or "soot", known as diesel PM. Diesel exhaust also contains over 40 cancer-causing substances, most of which are readily adsorbed on the soot particles. The state Air Resources Board has listed diesel particulate as a Toxic Air Contaminant due to its acute and chronic effects on public health.

**Health Effects of Diesel Pollution Quantified.** In 1998, the ARB identified diesel exhaust particulate matter (PM) as a toxic air contaminant based on its potential to cause cancer, premature death, and other health problems. In addition, several international and national health agencies have concluded that diesel exhaust has the potential to contribute to cancer and other health effects. These agencies include the National Institute of Occupational Safety and Health (1988), the International Agency for Research on Cancer (1989), the World Health Organization (1996), the National Toxicology Program (2000) and the U.S. EPA (2002).

Those most vulnerable are children whose lungs are still developing and the elderly who may have other serious health problems. Based on year 2000 emissions in California, diesel PM contributes each year to 2000 premature deaths and thousands of hospital admissions, asthma attacks and other respiratory symptoms, and lost workdays. Overall, diesel engine emissions are responsible for the majority of California's known cancer risk from outdoor air pollutants.

**State Provides Public Subsidies to Clean up Diesel Pollution from Construction Equipment.** The state currently subsidizes the cost of retrofitting and cleaning up diesel-powered equipment in advance of regulatory requirements under the Carl Moyer Memorial Air Quality Standards Attainment Program (commonly called the Moyer Program) which is found in Chapter 9 (commencing with Section 44275) of the Health and Safety Code. The Moyer Program makes roughly \$140 million per year available for clean air incentives for diesel equipment and trucks.

In addition, the ARB has proposed, but not adopted, a rule requiring off-road construction fleets to be cleaned up over the next 13 years. The rule applies to most off-road equipment regardless of the projects or funding sources used by the equipment contractor. However, under the current version of the rule, no retrofit or cleanup requirements are imposed before 2010 and there are credits provided to contractors for early compliance.

**Construction Activities from Bond-Funded Projects will Result in Diesel Pollution, Adverse Health Effects and Costs.** The state is embarking on a major new set of infrastructure investments through the disbursement of public bond funds for transportation, housing, education, and flood protection facilities. The construction activities that result from appropriation and expenditure of bond funds will lead to increased construction activity and air pollution from diesel sources.

**Staff Recommendation.** In view of the quantified and measurable costs of diesel particulate air pollution, and state laws and policies to reduce that pollution, staff recommends adoption of TBL that does the following:

1. As a condition of receiving funds for construction projects funded from Propositions 1-B, 1-C, 1-D, 1-E or 84, requires contractors to use construction equipment with diesel particulate matter (PM) filter devices that are verified by the ARB to achieve at least an 85% reduction in diesel particulate matter (i.e. “Level 3” devices) on Tier “0” or Tier “1” uncontrolled equipment.
2. Exempts construction equipment from this requirement if any of the following conditions exist:
  - a. The contractor demonstrates, and the ARB concurs, that the construction equipment cannot be retrofitted due to equipment/device incompatibility, worker-safety restrictions, or unavailability of the device or equipment for purchase or lease in the marketplace.
  - b. The contractor demonstrates, and the ARB concurs, that the contractor has applied and qualified for a Moyer grant but hasn’t yet received funding to assist in defraying the cost of the device.
  - c. The construction project is receiving a de minimus amount of bond funds.
3. Amends the Moyer Program funding and criteria as follows:

- a. Increase the fees used to fund the program in an amount sufficient to set aside an additional \$20 million per year for the next three years for the exclusive use of retrofitting construction equipment to meet the requirements under (1) above until such time as contractors are otherwise required to retrofit that equipment pursuant to another law, rule or regulation.
- b. Allow use of Moyer funds for clean construction retrofits/re-powers even if the equipment is not used in a single air basin, provided it is still used in the state.
- c. Makes other necessary conforming changes to the Moyer program.

## 3940 State Water Resources Control Board

**Background.** The State Water Resources Control Board (SWRCB), in conjunction with nine semi-autonomous regional boards, regulates water quality in the state. The regional boards—which are funded by the state board and are under the state board's oversight—implement water quality programs in accordance with policies, plans, and standards developed by the state board.

The board carries out its water quality responsibilities by: (1) establishing wastewater discharge policies and standards; (2) implementing programs to ensure that the waters of the state are not contaminated by underground or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment, water reclamation, and storm drainage facilities. Waste discharge permits are issued and enforced mainly by the regional boards, although the state board issues some permits and initiates enforcement actions when deemed necessary.

The state board also administers water rights in the state. It does this by issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

**Governor's Budget.** The Governor's Budget proposes \$657 million to support the SWRCB in the budget year. This proposal is approximately \$112 million less than current year expenditure levels, mainly due to a reduction in bond funding. General Fund appropriation is expected to stay nearly the same.



<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2006-07</b>	<b>2007-08</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Water Quality	\$ 927,734	\$ 823,408	-\$104,326	-11.3
Water Rights	13,642	11,137	-2,505	-18.4
Administration	18,950	18,890	-60	-0.3
<i>less distributed administration</i>	<i>-18,950</i>	<i>-18,890</i>	<i>60</i>	<i>-0.3</i>
<b>Total</b>	<b>\$ 941,376</b>	<b>\$ 834,545</b>	<b>-\$106,831</b>	<b>-11.4</b>
<b>Funding Source</b>				
General Fund	\$ 39,091	\$ 39,102	\$ 11	0
Special Funds	362,715	362,980	265	0.1
Bond Funds	367,641	254,966	-112,675	-30.6
<i>Budget Act Total</i>	<i>769,447</i>	<i>657,048</i>	<i>-112,399</i>	<i>-14.6</i>
Federal Trust Fund	128,877	128,578	-299	-0.2
Reimbursements	9,999	9,999	0	0
State Water Quality Control Fund	23,309	29,495	6,186	26.5
State Water Pollution Control Revolving Fund	-2,682	-2,682	0	0
Petroleum Underground Storage Tank Financing Account	12,426	12,107	-319	-2.6
<b>Total</b>	<b>\$ 941,376</b>	<b>\$ 834,545</b>	<b>-\$106,831</b>	<b>-11.4</b>

## 1. Proposition 84 Water Programs

**Governor's Budget.** The Governor's Budget proposes \$105.3 million in Proposition 84 bond funds for 18.2 positions and local assistance grants for water pollution control, agricultural water quality, urban storm-water runoff reduction, and the clean beaches program. Of the total amount, \$4.1 million would be for state operations and \$101.2 million for local assistance grants. The funds would be spent on:

- **State Water Pollution Control Revolving Fund - \$73.2 million (\$80 million - total authorized)** – Funding provides a match for federal capitalization grants that provide financial assistance in the form of low interest loans for the construction of publicly owned wastewater treatment facilities, stormwater pollution control projects, nonpoint source pollution control projects and estuary enhancement projects.

- **Agricultural Water Quality Grant Program - \$6 million (\$15 million – total authorized)** – Funding provides grants awarded to public agencies or nonprofit organizations for the purposes of improving agricultural water quality through demonstration projects, research, construction of agricultural drainage improvements, and for projects to reduce pollutants in agricultural drainage water through reuse, integrated management, or treatment.
- **Urban Stormwater Grant Program - \$14 million (\$90 million – total authorized)** – Funding provides grants to local public agencies for projects designed to implement stormwater runoff pollution reduction and prevention programs, including diversion of dry weather flows to publicly owned treatment works and acquisition and development of constructed wetlands.
- **Clean Beaches Grant Program - \$6.4 million and Santa Monica Bay Restoration Commission - \$1.6 million (\$90 million – total authorized)** – Funding provides grants to public agencies for projects in coastal waters, estuaries, bays and near shore waters that are intended to improve coastal water quality at public beaches, upgrade existing sewer collection or septic systems, and implements stormwater pollution reduction programs and best management practices.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$93.6 million for the State Water Pollution Control Revolving Fund, the Urban Stormwater Grant Program, and the Clean Beaches Grant Program, with the project and local assistance funds as one-time and the positions as on-going.

## 2. Watershed Protection and Basin Planning

**Background.** The State Water Board works to improve water quality by regulating individual industries and sewage treatment facilities. However, local agencies have the authority to encourage and regulate land use practices that cumulatively make the difference in determining whether water quality is met or not. Local water quality and planning efforts can assist in planning for long-term water quality sustainability. Regional planning coalitions offer economies of scale and regional cooperative scenarios that the state cannot necessarily capture.

Current law requires cities and counties to adopt a general plan with mandatory elements including land use, housing, conservation, open space, noise, and safety. Water is an optional element in local planning. Many general plans are out-of-date and virtually none include a comprehensive water element that coordinates consideration of water issues with other elements.

The California Water Plan is intended to be a guiding document for the State's water quality and priorities for water quality attainment. The water quality control plans contribute to the California Water Plan, but many of those documents have not been revised since they were first developed 35 years ago.

**Governor's Budget.** The Governor's Budget proposes \$6.1 million in Proposition 84 bond funds for 11.9 positions and local assistance. The funds would be used toward a pilot grant program for local agencies to update their general plans to incorporate watershed protection efforts into their land use policy. In addition, the funds would be used for scientific contracts to incorporate water quality basin plans into the next update of the California Water Plan.

- **Watershed protection.** \$1.8 million to implement a pilot grant program for local agencies to update their general plans to incorporate watershed conservation strategies into land use policy in order to minimize water quality impacts of conventional land development on California's water resources.
- **Water Basin Plans.** \$3.2 million and 10.9 PYs to incorporate the State Water Board's water quality basin plans into the next update of the California water plan. California's Water Basin Plans assess regional water quality and water supply and act as guiding documents for the expenditure of Regional Water Management funding. The State Water Board reports that many of California's regional Water Basin Plans are out-of-date with many standards, as they have not been revised since their original development 35 years ago.

**Staff Analysis.** The funding requested in this proposal would be allocated out of a \$90 million allocation from Chapter 9 of Proposition 84 for a wide variety of grants, loans, and incentives to encourage environmentally focused land use planning. This section of the bond is very broad and requires implementing legislation.

**Staff Recommendation.** Staff recommends that the Subcommittee approve only the Water Basin Plans for \$3.2 million, but that the Subcommittee shift the funding source from Proposition 84, Section 75065(c) to a reimbursement from Section 75041.

# CALFED

## 1. CALFED Science Program Research Grants

**Background.** CALFED provides a science research grant for projects that provide scientific information related to water project operations, water quality, ecosystem restoration, and prevention and management of invasive species. The primary purpose of the CALFED Science Program is to implement programs and projects to articulate, test, refine, and improve the scientific understanding of all aspects of the Bay-Delta and its watershed areas. The Science Program aims to reduce the scientific uncertainties in the planning and implementation of CALFED Bay-Delta Program actions.

To date, the Science Program has awarded approximately \$16 million in research grants. The program will run out of eligible grant funds at the end of the 2006-07 Fiscal Year. The funding requested in this budget proposal would go toward science projects identified in the first year as necessary to achieving the CALFED Record of Decision goals.

To award the science grants, the CALFED Science Program and the CALFED Agencies first determine the critical scientific information needs to help guide management decisions. These needs are then used to develop the Proposal Solicitation Package. The proposals undergo a technical review by two separate committees. Once the grant has been approved, the Science Program staff works with the researcher and contract staff to develop a contract that includes information on the statement of work, schedules, deliverables, presentations, and final products.

**Governor's Budget.** The Governor's Budget proposes \$10,552,000 for Proposal Solicitation Package science research grants through the Secretary for Resources budget. The funds would come from two sources:

- \$8 million in Reimbursement Authority from the Department of Water Resources Proposition 84 bond funds.
- \$2.552 million from Proposition 50 (Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002) bond funds.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 2. CALFED Supplemental Programmatic Analysis

**Background.** CALFED has been focusing on through-Delta water conveyance for the last ten years. CALFED intends to utilize the requested resources to establish and facilitate analysis of alternatives to through-Delta water conveyance, such as the peripheral canal.

**Governor's Budget.** The Governor's Budget proposes \$5,456,000 in reimbursements (\$456,000 on-going) from Department of Water Resources Proposition 84 bond funds to fund four limited-

term positions and to conduct analysis and hydrologic modeling for alternatives to through-Delta water conveyance. The funds would be used for:

- \$5 million one-time funding for contracts
- \$456,000 in on-going funding for four positions

The requested staff would manage and direct private consultants and coordinate with staff from various CALFED agencies in conducting analysis.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

### 3. CALFED Ecosystem Restoration Program Implementation

**Background.** The CALFED Ecosystem Restoration Program (ERP) aims to:

- Maintain, improve, and increase aquatic and terrestrial habitats and improve ecological functions in the Bay-Delta to support sustainable populations of diverse and valuable plant and animal species.
- Achieve recovery of at-risk species dependent on the Delta and Suisun Bay, and support the recovery of at-risk species in San Francisco Bay, and in the watershed above the estuary.
- Restore ecological processes associated with stream flow, stream channels, watersheds, productivity, and floodplains.

Since 2001, the Department of Fish and Game has been working on the ERP goals. Over the last seven years the ERP has funded restoration projects ranging from planning and local watershed stewardship programs to research, education, and physical habitat restoration. As of June 2005, the ERP had granted funding to 460 projects for approximately \$540 million.

**Governor's Budget.** The Governor's Budget proposes \$115 million in Proposition 84 bond funds to be expended through 2012-13. The funds would be used for 40.5 existing positions and local assistance grants. The funds are requested through the Department of Fish and Game budget.

**Staff Analysis.** The CALFED Delta Vision will be completed in December 2008, and will set a new direction for the CALFED program and outline new program goals and strategies. However, the proposed program funding in this item would be for six years. The Legislature would have very limited input on funding the ERP in the new plan that would go into effect after December 2008. CALFED would have to send an updated plan to the Joint Legislative Budget Committee prior to expending funds after the release of the Delta Vision, but that updated plan would be reviewed by only several members of the Legislature. In order to ensure proper Legislative oversight, funding for the ERP should not be provided beyond the completion date for the Delta Vision.

In addition to the timing of a new CALFED strategic plan, the funds requested for the first year include \$5 million for the Franks Tract project implementation. However, the Environmental Impact Report (EIR) for the Franks Tract project is not yet complete, and the Department of Water Resources estimates that it will take approximately one year to complete the EIR.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

#### 4. CALFED Ecosystem Restoration Program – Central Valley HCP/NCCP Development

**Background.** In 1991, the Legislature passed the Natural Community Conservation Planning Act. The Act provided for a regional planning process focused on protecting biological communities rather than single species. The Act instituted broad based planning to accommodate conflicting demands for wildlife conservation and urban development. The plans developed under the Act are known as Natural Community Conservation Plans (NCCP).

The NCCPs require preparers to go beyond State and federal requirements for mitigation of impacts by requiring contributions to the recovery of threatened and endangered species and their habitat. Essentially, these plans are regulatory tools for complying with the Endangered Species Act.

Proposition 84, Chapter 5, Section 75050 (a) provides up to \$20 million for creation of a CALFED Bay-Delta Program NCCP. The 3.5 percent that the Secretary for Resources is requesting across the entire Proposition 84 bond is not subtracted from this request.

**Governor's Budget.** The Governor's Budget proposes \$20 million in Proposition 84 bond funds for the Department of Fish and Game for program delivery, projects, and bond costs, as well as 16 existing positions. The funds would be expended over six years with \$1,731,000 planned for 2007-08.

**LAO Recommendation.** The LAO finds that the NCCP studies benefit Delta water exporters, but that the studies are paid for by state taxes. The LAO finds that the development and implementation of an NCCP allows project proponents (in this case, Delta water exporters relying on Delta pumps for water deliveries) to "take" (incidentally harm) endangered species, provided that the overall health of the ecosystem is protected. During the 2006-07 budget hearings, the administration indicated that water users would pay for a Delta NCCP. The LAO recommends the Legislature deny the budget request since water user contributions are a more appropriate funding source.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 5. Delta Water Quality Program

**Background.** The San Joaquin River and the Sacramento River are the primary sources of fresh-water flows in the Delta. Since the 1940s, salt and boron levels in the Lower San Joaquin River have increased significantly. This water quality impairment has occurred mostly because of large-scale water development projects for beneficial uses on the San Joaquin River and its tributaries. Construction and operation of dams on the San Joaquin River has severely diminished flows in the San Joaquin River. Water quality in the San Joaquin River and Delta has been identified as a severe problem since the 1990s.

The objective of the Delta Water Quality Program is to reduce salt loads, dissolved organic carbon, pesticides, pathogens, harmful trace elements and other pollutants in the Delta water. The Department of Water Resources intends to improve Delta water quality by administering grants for projects that are cost-shared by local agencies that:

- Significantly reduce or eliminate discharges of agricultural surface and subsurface drainage water from the west side of the San Joaquin Valley in order to reduce pollutants to the San Joaquin River and the Delta.
- Eliminate discharges of bromide, dissolved organic carbon, salt, pesticides, and pathogens to the Sacramento River.
- Reduce salinity or other pollutants at agricultural and drinking water intakes by implementing projects at Franks Tract or other locations in the Delta.
- Implement project identified in the June 2005 Delta Region Drinking Water Quality Management Plan.

Proposition 84, Chapter 2, Section 75029, provides \$130 million for grants to implement Delta water quality improvement projects that protect drinking water supplies.

**Governor's Budget.** The Governor's Budget proposes \$125,450,000, over 5 years, (\$25,086,000 in 2007-08) for 6.8 positions and three limited-term positions to administer and fund projects to improve water quality in the San Joaquin River and Sacramento River Delta. These funds are requested through the Department of Water Resources.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.